

Office of the New Mexico State Auditor
Special Investigations Division (SID)
Pre-Designation Checklist

AGENCY _____ Northern New Mexico College _____

TRACKING #2015-246,2016-173/197

AGENCY # _____ 963 _____
ASSIGNMENT _____ HT _____

Instructions

YES	NO	N/A		Responsible/Initials
Receive Information				
X			Log into spreadsheet	SID Director
X			Assign tracking number	KS
X			Ensure consistency with agency name	KS
X			Check for duplicate complaints	KS
Triage Meeting				
X			Initial discussion of complaint with Executive member present	SID Director / Executive Member
X			Initial review of jurisdiction	KS
X			Prioritization – documented in spreadsheet (1-4)	KS
X			Assignment – documented in spreadsheet	KS
			Identify what the Auditor will assess basic facts of allegation, initial determination of issue, jurisdiction, criteria. Is additional information required?	
Initial response				
x			Written documentation of issue placed in a file (hotline complaint, printout of articles, memo to file)	Assigned Auditor
			Assigned Auditor considers related party/conflict-of-interest/independence evaluation and notifies SID Director of any potential impairment	HT
x			Assigned Auditor sends out "3-day acknowledgement" and request for more information	
x			Posting through Netclaims (Date here:)	
	x		Letter or email (Date here:)	
Weekly Executive Update				
			Include new additions to the tracking sheet on agenda	SID Director
			Briefly discuss issue and make recommendations regarding next steps	
Fact Finding				
			Public documents research – retain documentation in the case file	Assigned Auditor
	x		This stage should include the following at a minimum:	HT
x			- 'Google' the issue or allegation	
x			- Check local news sources (newspapers, blogs, television stations, radio stations)	
x			- Review agency website for relevant info (minutes, contracts, check register, org chart)	
x			- Review relevant statutes and regulations/ policies	
x			- Obtain relevant documents (contracts, MOUs, etc)	
x			- Check oversight agency records (ex: USDOT, PED, City of Albuquerque Internal Audit)	
x			- Search the NM Courts website	
x			- Review prior year audits	
	x		- Review USASPENDING.gov for federal grant related issues	
Confirmation of basic facts of allegation – retain documentation in the case file				
	x		This stage should include the following at minimum:	HT
x			- Confirm identities of people involved	
x			- Confirm existence of programs/grants affected	
x			- Confirm the who, what, when, where, why	
Assigned Auditor makes initial determination of issue – retain documentation in the case file				
x			Is the allegation actually something wrong?	HT
	x		If it is wrong:	
x			- Is it criminal?	
x			- Is it new enough to take action? What is the statute of limitations and when does it expire?	
x			- Is the alleged offender still there?	
x			- Is the dollar value material?	
x			- Is this an OSA issue?	
Assigned Auditor and SID director develop recommendation that SID director presents to Executive Management				
			Recommendation may be:	SID Director / Auditor
			- Refer out (with or without closure)	HT
x			Refer to management?	
x			Refer to oversight?	
x			Refer to another agency	
x			- OSA GAO?	
x			- Close (with outgoing language or letter)	
x			- OSA/SID investigate further, learn more, consider requesting info from agency	Additional steps taken

Hamish Thomson

From: Amanda Herrera
Sent: Thursday, October 5, 2017 9:56 AM
To: jtrujillo2@redw.com
Subject: Northern New Mexico College - Referral FY2017
Attachments: Northern NM College - FY2017.pdf

Good morning Mr. Trujillo:

Please see attached correspondence from the Office of the State Auditor regarding Northern New Mexico College. Thank you.

*Amanda E. Herrera
Executive Secretary / Administrative Assistant
Office of the State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, New Mexico 87507
Phone: (505) 476-3800
Fax: (505) 827-3512 / reports@osa.state.nm.us
www.osanm.org / 1-866-OSA-FRAUD*



Helping Government Work Better

Coming together is a beginning; keeping together is progress; working together is success. Henry Ford



Timothy M. Keller
State Auditor

Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

**State of New Mexico
OFFICE OF THE STATE AUDITOR**

Via Email and U.S. Mail

October 4, 2017

Joshua Trujillo
REDW, LLC
PO Box 93656
Albuquerque, NM 87199-3656

Re: Northern New Mexico College ("Agency") – Referral for FY 2017 Audit

Dear Mr. Trujillo:

In the context of the background information attached to this letter, the Office of the State Auditor ("Office") is providing this communication to inform you ("Firm") that we have received information which suggests that elevated risk exists in the governance of the Agency Foundation.

When assessing the Foundation's responses to finding 2013-002 "Bank Reconciliations – Timeliness and Review Process – Foundation," enclosed, from the fiscal year 2016 audit please consider the corrective actions taken in response to all the recommendations rather than just those recommendations related to the reconciliation process. This assessment might include all controls over cash and investments exceeding \$3 million.

In addition, please assess whether there is effective oversight over this component unit; that gifts, bequests and other donations are promptly recorded; that any restrictions or conditions are carefully considered and acted upon; that investments are properly valued and accounted for; that the selection of investment managers is based upon competitive processes.

Finally, when assessing the Agency's response to finding 2016-002 please consider whether there is sufficient audit evidence to support an accurate estimate of known losses related to the alleged misappropriation. We enclose a copy of our case closure letter to the Agency.

As part of your planning and risk assessment procedures please contact Kevin Sourisseau, CPA at 505-476-3820 Kevin.Sourisseau@osa.state.nm.us or Hamish Thomson, CPA/CFF, CFE at 505-476-3818 Hamish.Thomson@osa.state.nm.us to schedule a brief telephonic or in-person meeting with the Special Investigations Division. The meeting, in combination with this letter, is necessary to ensure that the Office's knowledge of other information indicating potential risk is communicated timely to your firm so you can appropriately consider the information during your risk assessment in accordance with AU-C Section 240. The meeting will also facilitate discussion

about the concerns noted above and ensure that open lines of communication exist between the Office and your Firm.

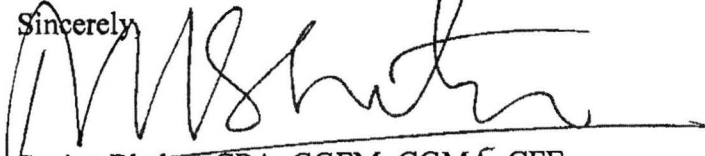
Please take the circumstances described above in to account in your risk assessment and perform such procedures as, in your professional judgement, are necessary to determine what further action, if any, in the form of additional disclosure, findings and/or recommendations are appropriate in connection with the FY 2017 annual audit of the Agency.

After the conclusion of fieldwork related to these matters, **but no later than two weeks prior to submitting the draft annual audit report to the Office for review**, please provide written confirmation to the Office that your Firm took appropriate action in response to this referral. If there are disclosures, findings, and/or recommendations associated with this referral included in the FY 2017 annual audit report, please reference them in your written confirmation. If no additional disclosures, findings, and/or recommendations resulted from this referral please include language indicating that no reportable conditions were noted.

Be sure to include adequate documentation in your audit workpapers to support your written confirmation to the Office that your Firm took appropriate action in response to this referral. As outlined in 2.2.2.13 NMAC the Office may review the Firm's workpapers associated with the annual audit of the Agency. If this engagement is selected for a workpaper review the Office will examine your Firm's documentation associated with this referral. Insufficient or inadequate documentation may result in deficiencies noted in the workpaper review letter and may negatively impact your Firm during the subsequent firm profile review process. In accordance with 2.2.2.8.D NMAC, IPAs may be placed on restriction based on the Office's review of the firm profile and various deficiency considerations. The deficiency considerations include failure to comply with Office referrals such as this one in a timely manner.

If you have questions, or need additional information regarding this communication, please do not hesitate to contact us. The Office of the State Auditor appreciates your assistance with this issue and looks forward to working closely with you and your Firm.

Sincerely,



Sanjay Bhakta, CPA, CGFM, CGMA, CFE
Deputy State Auditor

Enclosure: Finding 2013-002 from the fiscal year 2016 financial statements
Office of the State Auditor letter dated October 2, 2017

BACKGROUND INFORMATION ON REFERRALS

The Audit Act (NMSA 1978, Sections 12-6-1 et seq.) states that audits of New Mexico governmental agencies “shall be conducted in accordance with generally accepted auditing standards and *rules issued by the state auditor* [emphasis added]” (12-6-3 NMSA 1978). Accordingly, on an annual basis the Office of the New Mexico State Auditor (“Office”) promulgates the Audit Rule. The objective of the 2017 Audit Rule is to “establish policies, procedures, rules and requirements for contracting and conducting financial audits, special audits, attestation engagements, performance audits, and forensic audits of governmental agencies of the state of New Mexico” (2.2.2.6 NMAC).

The Audit Act requires that “the state auditor shall cause a complete written report to be made of each annual or special audit and examination made. Each report shall set out in detail, in a separate section, *any* [emphasis added] violation of law or good accounting practices found by the audit or examination.”

In accordance with statute, the 2017 Audit Rule incorporates the following language “when auditors detect violations of law or good accounting practices that shall be reported per 12-6-5 NMSA 1978, but that do not rise to the level of significant deficiencies or material weaknesses, such findings are considered to warrant the attention of those charged with governance due to the statutory reporting requirement. The auditor shall communicate such violations in the ‘compliance and other matters’ paragraph in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards. Findings required by Section 12-6-5 NMSA 1978 shall be presented in a separate schedule of findings labeled ‘Section 12-6-5 NMSA 1978 findings.’ This schedule shall be placed in the back of the audit report following the financial statement audit and federal award findings. Per AAGGAS¹ 13.47 there is no requirement for such findings to be included or referenced in the uniform guidance compliance report.” (2.2.2.10.L (1) (c) NMAC).

In conducting risk assessment associated with the annual audit of an agency subject to the 2017 Audit Rule, Independent Public Accountants are instructed to refer to 2.2.2.10.J NMAC which requires that “an IPA shall identify significant state statutes, rules and regulations applicable to the agency under audit and perform tests of compliance.” **Materiality in relation to the audit of the financial statements does not apply to compliance with state statutes, rules and regulations.**

¹ AAGGAS is the most recent edition of the Audit and Accounting Guide for Governmental Auditing Standards and Single Audits published by the American Institute of Certified Public Accountants.

**NORTHERN NEW MEXICO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2016**

**2013-002 BANK RECONCILIATIONS – TIMELINESS AND REVIEW PROCESS- FOUNDATION
(REPEATED & UPDATED)**

TYPE OF FINDING: Material Weakness

CATEGORY: Cash and Investments

CONDITION

The Foundation's complete bank reconciliation process, including review, was not performed timely for the Foundation's fiscal year 2016 cash accounts until the Senior Financial Analyst took over the process in January 2016.

Additionally, there was a check that was deposited into the College's bank account and then months later the Foundation was reimbursed when questions were asked about the receipts. Testing of the June 30, 2016 bank reconciliations showed two unusual deposits in transit for \$11,136 and \$3,838. Per discussion with the Senior Financial Analyst, these deposits had been deposited into the College's bank account on June 6, 2016 as part of a larger check totaling \$14,974. The mistake was discovered on August 10, 2016, and the bank reconciliation was updated and funds deposited the following day. JAG traced the amounts from the College's employee deduction register, to the College's General Operating Fund June 2016 bank statement, to the August 2016 bank statements for the Foundation's temporarily restricted and unrestricted accounts.

CRITERIA

Appropriate internal controls over cash require timely reconciliation and review of all accounts to the general ledger in order to ensure adequate control over cash receipts and disbursements.

EFFECT

Not reviewing cash accounts on a monthly basis creates the opportunity for errors or inappropriate transactions to occur undetected. Some banks will not correct any errors if they are not caught within ten days.

CAUSE

During the year, the College had time constraints, turnover in Foundation staffing, and a lack of appropriate resources to timely review its cash reconciliations.

RECOMMENDATION

We recommend the Foundation prioritize the reconciliation process and implement policies and procedures to ensure that all cash accounts are reconciled timely and reviewed monthly.

We also recommend for enhanced transparency of cash and other financial activities, that the Foundation consider adding the following to their website:

- Most current IRS Form 990
- Consider having separate audit report (done in conjunction with College's audit report) for publication to the public
- Other documents like spending policy on endowments, gift policy, etc.
- Monthly detail of disbursements
- Annual detail of scholarships awarded

Finally, since the Foundation is a separate legal entity with many of its own internal control processes, we recommend the Foundation have its cash deposit supporting package separate from the College.

**NORTHERN NEW MEXICO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2016**

**2013-002 BANK RECONCILIATIONS – TIMELINESS AND REVIEW PROCESS- FOUNDATION
(REPEATED & UPDATED) (CONTINUED)**

MANAGEMENT RESPONSE

Corrective action(s):

The College recognizes the importance of this control and although bank reconciliations were complete, we did not post journal entries in a timely manner. We will continue to utilize the Access database and electronic folders to track and upload the bank reconciliations and approval signatures. Because posting of the journal entries was not timely, it delayed uploads as well as the reviews.

Timeline of corrective action:

The issue is expected to be completed within FY18 (2017-2018).

Responsible Person:

Vice President for Finance and Administration



Timothy M. Keller
State Auditor

Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

October 4, 2017

Richard J. Bailey, Ph. D., President
Northern New Mexico College
921 N. Paseo de Oñate
Española, NM 87532

Re: Potential Criminal Violation at Northern New Mexico College

Dear Dr. Bailey:

Thank you for providing the Office of the State Auditor ("Office") with information, by letter dated February 27, 2017, regarding Northern New Mexico College ("NNMC") and a potential misappropriation of funds by the former Finance Director in fiscal years 2012 and 2013. This letter closes our case related to the former Finance Director.

The Office, as required by NMSA 1978, Section 12-6-6, referred those allegations on March 1, 2017 to the 1st Judicial District Attorney and to the New Mexico State Police. NNMC has since contracted with McHard Accounting Consulting LLC to perform additional forensic consulting services and investigative efforts.

The Independent Public Accountant completed their audit report and findings for fiscal year 2016 on March 27, 2017. Finding 2016-002, enclosed, addressed the issues related to NNMC's notification and states that they were "unable to verify the detail of checks taken since the box was taken as evidence by law enforcement." In order to strengthen your internal controls, supplemental to your monthly updates which we appreciate, the OSA suggests that you work with law enforcement to obtain copies of NNMC records in their possession. This information may provide NNMC with additional relevant facts and documents for the purpose of assessing your loss in fiscal year 2017 and earlier.

The OSA appreciates your attention to this issue. If you have any questions or need additional information regarding this matter, please do not hesitate to contact me directly via phone at 505-476-3820 or email at Kevin.Sourisseau@osa.state.nm.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Hamish Thomson".

Hamish Thomson, CPA/CFF, CFE
Special Investigations Division

Enclosed: Finding 2016-002

cc: Ricky Bejarano, CPA, Chief Financial Officer, NNMC
Janet McHard, McHard Accounting Consulting, LLC
Charles B. Laster, Director, Post Audit Group, U.S. Department of Education
Captain Dale Wagoner, State Police
Jennifer Padgett, Deputy District Attorney
Joshua Trujillo, REDW, LLC



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

September 21, 2017

ELECTRONIC TRANSMISSION – CONFIRMATION OF RECEIPT REQUESTED

Richard J. Bailey, Ph.D.
President
Northern New Mexico Community College
921 Paseo De Onate
Espanola, New Mexico 87532

Re: Audit Control Number: 06-16-79687
CFDA Number: 84.031

Dear Dr. Bailey:

This letter transmits the program determinations by the U.S. Department of Education (ED) regarding findings in the single audit report of Northern New Mexico Community College (College) for the fiscal year ending June 30, 2016. The audit, issued on March 27, 2017, was performed by the firm of JAG LLP, in compliance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The audit identified a large number of findings involving cross-cutting functions and the College's internal controls.¹ The findings this letter resolves concern a Higher Education Institutional Aid (Title III) grant awarded by the Office of Postsecondary Education (OPE), and related aspects of grant administration. ED's Post Audit Group (PAG), Office of the Chief Financial Officer, is responsible for resolving the findings, presented in detail below.

Audit Finding No. 2016-002, Page 68, State Law Compliance

The auditor found that the College's General Operating Account bank reconciliations had been intentionally altered to exclude certain outstanding checks and even portions of outstanding checks. Subsequent investigation resulted in the Director of Financial Services' resignation and admission of taking over \$200,000 from the College, involving cash and checks. The auditor stated he could not verify the amounts taken because evidence was taken by law enforcement. The audit firm reported the finding to the New Mexico Office of the State Auditor. Because account balances and the extent of any fraud, waste, or abuse are unknown, the single auditor

¹ A number of the other findings in this audit overlap or contribute to the conditions described in Finding 2016-002 and concern the administration of ED grants. Several were characterized by the auditor as material weaknesses or significant deficiencies. They include: (1) Finding 2016-001, Delay in submitting the single audit; (2) 2016-003, Insufficient attention and accountability over accounting and internal controls; (3) 2016-004, Insufficient security of accounting records/backup of electronic documents; (4) 2016-006, Segregation of duties; (5) 2016-007, Financial close & reporting; (6) 2016-008, Lack of internal controls over cash receipts process; (7) 2016-009, Lack of internal controls over cash disbursements and transfers process; (8) 2016-010, Lack of internal controls over journal entries; (9) 2016-017, Outdated policies and procedures; (10) 2016-018, Lack of monitoring and corrective actions; (11) 2016-019, Lack of established practices for the identification, mitigation and monitoring of risks; (12) 2016-021, Review and clean-up of clearing and suspense and accounts.

stated that it was disclaiming an opinion on the College's financial statements and Federal funds, and it recommended the performance of a forensic special audit for the related time period.

The auditor attributed the embezzlement to the College's not taking thorough corrective actions on previous audit findings over cash management and allowing staff to override other areas of internal control weaknesses and critical segregation of duties. The former Director of Financial Services overrode the College's internal control processes and took deposits to the bank and changed bank reconciliations after these had been completed. The auditor stated that the Director's supervisor, the Vice President for Finance and Administration, did not thoroughly review the bank reconciliations as the control was designed and had been asserted to the auditors in the prior year. Staff involved in the cash transaction cycle had questioned the former Director on multiple occasions but never took their concerns to a high enough level to be fully addressed.

Auditor's Recommendations

The auditor made several recommendations:

- (1) Have a *risk assessment* [of internal controls] conducted by the Board of Regents, its Finance Committee, and other staff, and put in place stronger controls, along with a high level of transparency and accountability in order to prevent and detect any future fraud or noncompliance.
- (2) Consider performing *credit checks* on those who will be working with the College's finances and *bonding of key employees*, and those working with cash.
- (3) Add an *internal auditor*, reporting directly and independently to the Board of Regents, to monitor controls that will be put in place. The single auditor noted that the function could be contracted out.
- (4) *Train staff* not to allow internal controls to be circumvented. Hire an outside consultant to assist the College in training, reconciling, designing, implementing, and monitoring compliance with statutes, regulations, controls, policies, procedures.
- (5) Encourage *reporting of suspicious activity*, for example by instituting an anonymous fraud hotline, and linking it to the State Auditor's hotline.

The College's Response

The College committed to bring forward a plan to the Board of Regents' Finance Committee and to present monthly updates regarding the corrective actions related to all audit findings until they are resolved. The College added that it would propose in the FY 2018 operating budget a contract for internal audit services to assist the Board of Regents, the Finance Committee, the Administration, and other staff to further assess risk and improve and strengthen internal controls. The College noted that it also supported a higher level of transparency and accountability and would continue to do so in its efforts to prevent and detect any future fraud or noncompliance. It committed to developing and bringing, by April 10, 2017, an operating budget for the Board of Regents' approval, in addition to a contract for internal audit services for FY 2018.

PAG Determination

We sustain the finding and concur with the auditor's recommendations. In consultation with our OPE colleagues, in resolving this finding and recommendations, we focused on ensuring that funds from this program had not been embezzled and that progress was made in addressing the

multiple recommendations the auditor made. Further, ED's procedures require an evaluation of the risks posed by applicants before they receive Federal awards. An important aspect of this risk assessment is audit history and corrective measures to address audit findings. The resolution of this audit's findings will be made available to those engaged in this risk assessment process.²

We inquired of the College regarding the progress it had made in implementing the auditor's recommendations. This is the status of corrective measures, as of September 7, 2017:

Forensic Audit. The College reports that it has contracted with forensic specialists to review Title III funding, including whistleblower complaints regarding alleged supplanting or misuse of that program's funds. If additional information becomes available, the investigation may expand to mispending beyond Title III funds. The review is expected to be completed in eight to twelve weeks, and will address any internal control issues identified, and recommendations for improvement.

Internal Audit Services. The College said it was looking to forensic auditors for a rigorous assessment of improvements that could be made in light of the embezzlement finding. Looking ahead, for continuous support services, the College stated that it had already issued a request for bids, adding that it might need to issue a Request for Proposals if the bids received meet or exceed the State's threshold for competitive procurement.

Hotline. The College stated that it made arrangements with the State Auditor to use its hotline as a reporting mechanism for reporting suspicious activity by its students, faculty, staff and members of the public. The College added that it is working on various ways to publicize this resource.

Bonding and Background Checks. The College says that it is working with the State of New Mexico's General Services Department to ensure bonding of its financial staff. It added that it is seeking bids for background checks, but must verify whether and how that can be implemented.

Other Procedures Modified. In light of the audit finding that bank deposits had been diverted, the College stated that it had made changes in the deposit process and the reconciliation of accounts. Key aspects will be ensuring the integrity of the process, including the segregation of duties.

Additional Staff. The College stated that it expects to hire by October 31, 2017 an additional qualified accountant, preferably a certified public accountant with experience in Federal grants. On a related matter, described below, in the resolution of Finding 2016-032, the College has committed to hiring a Grants Manager.

Training. The College also reports that it is discussing with the forensic services firm providing fraud awareness training for all Business Office staff, as well as the heads of programs. In

² In this connection, it is important to note the College's troubled audit history. Four years ago, my office resolved findings relating to single audits for four fiscal years, FYs 2009 through 2012. Three of the audits were overdue, and cumulatively my office resolved 27 findings (several of a repeat nature) in the determination letter issued on September 27, 2013. The findings concerned time and effort, eligibility, matching, procurement, reporting, and segregation of duties. At that time we expressed concern about the College's allocation of adequate resources to administer its Federal grants in compliance with grant requirements and internal control procedures.

addition to some training provided during Convocation Week, the College stated it planned to conduct, by the end of December 2017, a series of training sessions on the Uniform Guidance.

Regents' Oversight. The College stated that its Board of Regents' Finance Committee takes up audit findings and internal controls as regular agenda items, and reports on their status to the full Board. Budget adjustments require the approval of the Board, which also reviews cash balances, asset dispositions, and interim financial reporting to state agencies.

We believe that the diverse measures the College has initiated, and others underway, point to changes that will reduce the risk of recurrence of findings the FY 2016 single audit identified. As noted above, the College's latest audit surfaced numerous weaknesses across a number of functions and offices; addressing them will require sustained and vigilant attention by the College's Regents and management. It requires also the allocation of resources (including training, recruitment of appropriate staff, and internal auditors) that will enable the College to properly administer Federal funds and monitoring compliance with requirements, and the corrective measures that have been launched so far. Please note that in an earlier determination letter, issued on September 27, 2013, OCFO cautioned the College about recurrent audit findings going back to FY 2009. At that time we urged the College to commit itself to appropriate grant administration, including adequate internal controls that would avoid the recurrence of findings.

The Uniform Guidance requires that Federal agencies conduct a risk assessment of grantees, an important aspect of which is audit history and follow-up on findings. We will be communicating with other offices the results of this audit's resolution and recommend follow-up on the corrective measures the College has undertaken. In this connection, please report by November 30, 2017 on the results of the forensic engagement currently underway and the status of the corrective measures summarized in this letter.

Audit Finding No. 2016-031, Page 129, Period of Availability of Funds

The auditor found that the College had charged unused paid time off (PTO) for two terminated employees to the grant at the date of termination. There were no compliance deficiencies noted in the allocation of leave, but the auditor found that the internal control structure over this requirement was weak. The auditor explained that the College's cumbersome and manual process in the charging of leave resulted in an increased risk that employee's PTO costs could be paid outside the period of availability. Because the grant award is for one year at a time, the College was at risk of employees leaving after the grant ended without charging the grant the employee's time off benefit. Also, the College was at risk for charging PTO to the current grant from previously earned PTO on a prior grant (and thus outside the period of availability).

Auditor's Recommendation

The auditor recommended that the College re-examine the process for how PTO is allocated to grants and other projects. The reexamination should consider an automated process for allocating time to grants based on when the PTO benefit is earned.

The College's Response

The College stated it would re-examine the current manual process used to determine the accrual and calculation of PTO for grants and other projects and transition to an automated process. The College committed to completing its corrective action by December 2017.

PAG Determination

We sustain the finding and concur with the auditor's recommendation. In communication with my office, the College stated that the College's new Human Relations manager had engaged a professional data base manager to ensure charge of accrued leave each pay period. The changes were said to be implemented already as of July 14, 2017

Audit Finding No. 2016-032, Page 131, Grant Compliance

The auditor found that the College had not assessed and revised its current policies to ensure they covered internal controls, as required by the Uniform Guidance (at 2 CFR 200.303). That guidance requires effective controls to manage Federal awards, show compliance with Federal statutes, regulations and terms and conditions of the awards, and identify how the organization evaluates and monitors compliance. The auditor referenced how five widely recognized components of internal control relate to grant administration³. These are: *control environment* (approval processes); *risk assessment* (processes to assess risk); *control activities* (processes to check accuracy); *information and communication* (training); and *monitoring* (review processes).

With regard to the College's Title III grant, the auditor stated that it should focus on cash management, allowable operating and payroll costs and activities and reporting.

Auditor's Recommendation

The auditor recommended that the College's grants management take additional training related to Uniform Grant Guidance requirements and that it network with other colleges and universities in the State to obtain guidance over best practices used in the creation of policies and procedures for the types of grants the College has.

The College's Response

The College stated that it had eliminated in FY 2017 the position of the Vice President for Advancement, which had been assigned the responsibility for managing all grant activities, and shifted supervision of all grant program managers to the Vice President for Academic Affairs and the Grant Manager under the Finance Department. The College also said it would develop a professional development plan that provides for training regarding Uniform Grant requirements and obtaining best practices and policies from other colleges and universities in the State.

PAG Determination

We sustain the finding and concur with the auditor's recommendation. In resolving this finding, we are mindful that our focus could not be limited to the College's Title III grant since its period of performance was ending on September 30, with no new Title III grant being awarded. In communication with the College, we requested that it identify internal control weaknesses in the administration of the Title III grant and that it apply measures to correct them to other ED grants it is continuing to manage. It is our understanding that this is an important aspect of the work of its forensic accountants, whose work is expected to continue through the Fall.

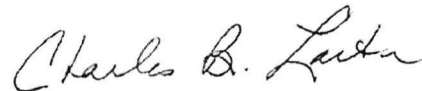
³ Identified in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These are cited in 2 CFR 200.303 (a).

The College needs seasoned staff overseeing its grants management. In that regard, the College has informed us that it expects to select, by the end of September, a Grants Manager who will oversee the administration of its Federal grants. Over the past few years, that position had not been filled and its responsibilities transferred to others at the College, most recently to the Provost. It is our understanding that the Grants Manager will oversee implementation of internal controls, including ensuring proper training of staff.

The FY 2016 single audit identified 37 findings. This determination has focused only on three of them, but, as noted earlier, many of the others involve financial management concerns that affect adversely the management of Federal grants. As the audit noted, several of the findings reported in the FY 2016 single audit were identified in past audits, but not properly addressed. We appreciate the number of steps already taken by the College to tackle the long list of weaknesses the auditor reported. In the past few months these have included change in personnel, addition of staff, plans for training, and change in accounting procedures that address segregation of duties concerns. Apart from the status reports requested above, we will be monitoring future audits to determine progress being made on the findings resolved in this letter, and take administrative steps if necessary. In light of the timing of corrective measures, we are mindful that some of the findings may recur in the next single audit (for FY 2017).

We appreciate your support of the corrective measures the College has initiated in response to the audit and the extensive cooperation throughout the resolution process that was provided by Ricky Bejarano, Vice President for Finance and Administration. If you need more information about this letter, please contact Max Rudmann of my staff at 202-245-8092.

Sincerely,



Charles B. Laster
Director
Post Audit Group
Financial Improvement
Operations

Cc: REDW, LLC
New Mexico Office of the State Auditor
Beatrix Ceja, OPE
Claire Cornell, OPE
Lauren Kennedy, OPE
Barbara English, OPE, ALO

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

VIA EMAIL AND U.S. MAIL

March 31, 2017

Richard J. Bailey, Jr., Ph.D.
President
Northern New Mexico College
921 N. Paseo de Oñate
Española, NM 87532

Dear President Bailey:

The Office of the State Auditor ("OSA") has released the Fiscal Year 2016 financial and compliance audit for Northern New Mexico College ("NNMC" or "College"). The report, which was completed by the independent public accounting firm Jaramillo Accounting Group LLC, highlights numerous shortcomings with respect to the College's financial controls and practices.

The audit includes a "disclaimer of opinion," which indicates that the auditor was not able to form an opinion as to the reliability of the College's financial statements, and 37 findings noting serious deficiencies and areas of noncompliance. The problems identified include: a probable theft of over \$200,000 by the former Director of Financial Services; a general lack of controls over accounting practices, cash handling and capital assets; the failure to perform timely and accurate bank reconciliations; excessive speaking honorariums provided to the former President; outside employment not being disclosed in writing in accordance with the Government Conduct Act; no code of ethics/conduct required to be signed by all employees; inadequate documentation to support financial transactions; procurement violations; outdated policies and procedures; waste of resources in paying for unused credit card machines; and payroll tax deficiencies.

The report also found that the Administration and the Board of Regents did not adequately monitor internal controls and risks, especially in light of the complaints being made regarding personnel and activities at NNMC, and failed to hold the former Director of Financial Services and other responsible staff accountable for corrective actions related to problems that were previously identified. In addition, the report includes a finding for noncompliance with Article 12, Section 13 of the New Mexico Constitution, which requires a board of regents consisting of five members to provide oversight of NNMC. In August 11, 2016, the OSA wrote to the Governor stressing the importance of filling expiring regent positions to ensure appropriate governance at the College. However, the Governor did not nominate a fifth regent during the 2017 Legislative Session and the vacancy remains.

The problems identified in the audit report expose NNMC to potential legal liability and create an environment susceptible to fraud, waste and abuse, which may divert the College's limited resources away from students. It is critical that the new NNMC leadership promptly implement

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and adhere to appropriate internal controls to safeguard public funds and ensure compliance with applicable laws, regulations and policies.

We appreciate management's acknowledgement of the issues raised in the report and NNMC's cooperation during the audit process. Our office stands ready to assist in any way possible as NNMC works to improve its financial controls and practices.

Sincerely,

A handwritten signature in cursive script, reading "Timothy M. Keller". The signature is written in dark ink and is positioned above the printed name and title.

Timothy M. Keller
State Auditor

cc: Rosario "Chayo" Garcia, President
Damian Martinez, Vice President
Kevin Powers, Secretary/Treasurer
Melinda Deherrera, Board Member
Domingo Sanchez III, Vice President for Finance & Administration
Audrey J. Jaramillo, CPA, CFE, Jaramillo Accounting Group LLC
Marco Serna, District Attorney, First Judicial District Attorney's Office
Capitan Dale Wagoner, New Mexico State Police
Dr. Barbara Damron, Secretary, New Mexico Higher Education Department
Susana Martinez, Governor

JARAMILLO ACCOUNTING GROUP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
JAG
Clarity from Complexity

March 27, 2017

New Mexico Office of the State Auditor
Sanjay Bhakta, CPA, CGFM, CFE, CGMA,
Deputy State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, New Mexico 87507
(505) 476-3800

Re: Northern New Mexico College ("NNMC" or "College") – Referral for Fiscal Year 2016 Annual Audit

Dear Mr. Bhakta,

This letter is in response to your request that we assess certain risks and noncompliance related to various operational and financial areas of the College. We present each concern from the referral letter below and in bullet point format the additional procedures we performed and the corresponding results:

1. *"Interim President Domingo Sanchez advertises on his LinkedIn page, enclosed, an ongoing active interest as "Principal Consultant and Owner" in MPower. Similarly, the Athletics Director Ryan Cordova, whose wife is an executive assistant to Domingo Sanchez, is identified in a Higher Education Department (HED) audit and on the Secretary of State website, both enclosed, as the Vice-President of Blue Sky Builders, Inc. Please assess whether any compliance findings, disclosures or emphases of matter are required."*
 - According to NMSA 1978 Section 10-16-3 (A) (B) and (C), Public employment or office is a public trust. Officers and employees must maintain integrity and high ethical standards. They may not use their position to advance personal or private interests, and must disclose real or potential conflicts of interest.
 - According to NMSA 1978 Section 10-16-3.2A, Officers or employee may not sell or be party to contract to sell goods, services, tangible personal property or construction directly or indirectly through family or business to an employee supervised by the officer or employee.
 - According to NMSA 1978 Section 10-16-4.2, All public officers or employees must disclose in writing to the employer all employment engaged in by the officer or employee, other than the employment with or service to the Public Employer.
 - JAG inquired of the Board Chair regarding Mr. Sanchez's compliance with the Governmental Conduct Act who stated that the Board was aware that Mr. Sanchez was a business-owner when he was hired, but did not remember anything submitted in writing, reported as Finding 2016-006.

Northern New Mexico College – JAG Response to Referral Letter
March 27, 2017

- Per discussion with Mr. Sanchez, he did disclose his business, MPower, verbally to everyone but did not ever contract with the College or use his public employment to benefit his business. He stated that his business was run by 7 employees and this number has decreased each year as he does not replace those who leave. Mr. Sanchez shared that he does pay bills and review work on some nights and weekends, but the business activity is very minimal.
 - Per discussion with Mr. and Mrs. Cordova, everyone knew about his employment with Blue Sky Builders before his employment with the College because the College had been doing business with his family's company for a long time (and did have material construction contracts). He stated that it was disclosed in his cover letter to the College when he submitted interest in the Athletics position the first time, in 2008. From the HR records, JAG noted that Mr. Cordova did disclose being an Owner of Blue Sky Builders on the resume he submitted in 2008 and on the resume he submitted in 2010 when he was ultimately hired. The ownership percentage was not disclosed and there does not appear to be follow up on this item in the HR files.
 - JAG sent 37 related party / Governmental Conduct Act compliance confirmations to the College's Board, Executive Management, and Upper Management. No disclosures of non-compliance were noted. One confirmation did note the Assistant & Athletic Director's business Blue Sky had been awarded a contract. *See also item 5 below.*
 - During the 2016 audit, JAG noted the former President, reportedly now on sabbatical until June 30, 2017, violated the Governmental Conduct Act by receiving more than \$100 in honorariums, reported in Finding **2016-006**.
 - JAG has included Finding **2016-006** in the June 30, 2016 draft financial statements on Noncompliance with the Governmental Conduct Act and a recommendation to the College to strengthen internal controls in this key compliance area.
2. *"Please assess whether the Board has a plan to address the underlying causes of executive staff turnover, including a) compliance with the intent of Section 10-16A NMSA 1978 "Financial Disclosures"..."*
- JAG inquired of the Board Chair and the College's President regarding the plan to address these issues. The new President had already made an informal assessment before starting his new position.
 - He now has several strategies which he will be presenting to the Board, which include: an updated Staff Handbook, a Mentorship Program, Setting expectations, a Faculty Survey, and more vigorous documentation in HR files to minimize the risk of lawsuits.
 - It was reported to JAG that turnover mainly related to: layoffs that were necessary due to budget cuts (such as closure of the El Rito campus) and serious personnel matters.
 - Current administration has requested an attorney to come train leadership in documenting personnel issues. They have also been meeting weekly with College leaders to discuss any employee misbehaviors early and ensure it is documented and corrected.
 - The College also has a new Provost who is reportedly doing very well with the employees.
 - Administration plans to change hiring practices to go beyond calling the provided references from candidates.
 - Administration has been increasing the frequency of Title IX training.
 - Administration has begun strategic planning for management and the campus community.

Northern New Mexico College – JAG Response to Referral Letter
March 27, 2017

- Regarding the College's compliance with the intent of Section 10-16A NMSA 1978 "Financial Disclosures", we noted the College is obtaining those from certain board members and employees but perhaps not all who would need to disclosed financial interests (see **Finding 2016-014**)
3. *"Please assess whether the Board has a plan to address the underlying causes of executive staff turnover, including....b) the Agency's settled and ongoing lawsuits for reportable instances of fraud, waste, and abuse as reflected in any insurance payouts and premium increases."*
- JAG inquired of the Board Chair, the College's President, Mr. Sanchez, and the former Director of Financial Services regarding the plan to address these issues.
 - As with the previous concern, the Board has directed the College President and VP of Finance to course correct the College in these areas and will be monitoring the turnover and lawsuits closely.
 - Insurance does cover the lawsuits, however, with Whistleblower cases, the law in New Mexico is such that even if the Plaintiff is awarded \$1, the College itself would have to pay the judgment plus the Plaintiff's attorney fees, which can run extremely high. Therefore, it has been recommended by their counsel that the College settle the lawsuits (no matter how strong the College's legal defense is). Estimated amounts are disclosed in the 2016 financial statements.
 - The College itself will have to cover costs of the "Monument" lawsuit (a contract claim not covered by insurance). At June 30, 2016 it was the opinion of outside legal counsel that the only reasonably possible liability for this was "\$25,000". This amount was recorded in the financial statements audited by JAG. The case is pending mediation has not been settled.
 - JAG sent legal confirmations as part of the audit approach in both 2015 and 2016 and has made the required disclosures. This particular audit was selected in JAG's recent peer review. This area was reviewed by the outside firm, resulting in no comments.
 - The Board and Administrators JAG interviewed were not aware of any fraud, waste, or abuse until JAG's meetings with them regarding not receiving the cash reconciliations timely and the former Director of Financial Services behavior. Reportedly, the Plaintiffs are disgruntled employees whose contracts were not renewed as a result of budget cuts and/or management decisions of the former President (at her request executed by Mr. Sanchez).
 - Since the events and circumstances occurred prior to JAG's 2015 and 2016 engagements, JAG did not test the specific circumstances with Blue Sky. It is our understanding that the College has adequately addressed the issues with legal counsel and is planning to make further operational and personnel-related changes through the new President's leadership.
 - It is our observation that the College may have had ineffective administrative team members, Reduction In Forces (RIFs), inadequate accountability, and numerous members of management allegedly harassing others (sexually and otherwise) leading to the turnover that occurred.
 - On September 9, 2015, the Administration sent out an employee survey on ageism and sexism.
 - Insurance premiums did increase approximately \$200,000 due to the increase in legal activities:

Northern New Mexico College – JAG Response to Referral Letter
March 27, 2017

Northern New Mexico College Type of Insurance	Premiums Paid to NM GSD		
	FY15	FY16	FY17
State Unemployment Compensation	\$ 122,650	\$ 126,900	\$ 105,976
Automobile Physical Damage	1,017	1,640	1,847
Blanket Property	93,193	64,042	100,686
Boiler & Machinery	611	1,116	1,075
Fine Arts	100	100	100
Auto Liability	6,772	7,387	7,296
Civil Rights	55,812	96,367	149,268
General Liability	11,460	15,653	98,916
Law Enforcement	983	-	-
Medial Malpractice	2,301	-	1,000
Workers' Compensation	36,438	40,213	67,052
Total GSD Insurance Expense	\$ 331,337	\$ 353,418	\$ 533,216
Increase from Prior Year:		\$ 22,081	\$ 179,798
Total Increase since FY 15			\$ 201,879

4. *"Please assess whether the procedures for hiring (Policy 3.26), terminations (Policy 3.19) and other personnel actions are consistent with the Agency's Staff Handbook. Please include in your sample the Admissions Director and Registrar, questioning whether enrollment numbers are reported accurately in compliance with laws and regulations."*

- Per discussion with the VP of Finance, Mr. Sanchez, the Staff Handbook is outdated and is at times conflicting with the policies. The College's attorneys have pointed this out in the past. (See **Finding 2016-017**)
- The College had determined that the Faculty Handbook must be updated first. The two members of management that were working on the Faculty Handbook are no longer employees of the College. The College has now met with the Union, since the Collective Bargaining Agreement was causing confusion as well, and have presented a new Faculty Handbook to the Faculty Senate. The College is now able to have legal review and a work session with the Board of Regents to complete the Faculty Handbook and move onto updating the Staff Handbook as quickly as possible.
- Per our inquiries, the Registrar was unhappy and left the College when the personnel problems were occurring in the fall of 2015. She then served the College as an employee on a stipend for a short time, but when the former College President left, she decided to return in January of 2016 (with the then Provost's approval) as an employee.
- Per our inquiries, the former VP of Advancement demoted the Admissions Director to the Veteran's Center and he hired one of his former co-workers. This individual reportedly added to the personnel troubles and was terminated during his probationary period at the end of December 2015. At this point, the former College President had left on sabbatical and the VP of Advancement's position was eliminated. The Admissions Director returned to his original position with the approval of the VP of Finance.

Northern New Mexico College – JAG Response to Referral Letter
March 27, 2017

- The HR Director did resign in 2015 due to serious personnel matters. This position was filled in March of 2017.
- Regarding enrollment, we inquired of the Admissions Director, the Registrar, and the Director of Institutional Research about the College's compliance with laws and regulations. No noncompliance was disclosed to JAG.
- JAG determined it would be prudent to look at enrollment in more depth to analyze the pressures and incentives to misstate enrollment numbers. According the state funding formula, a drop in performance funding will be stop-lossed to -1% per year. The College may qualify for a 0% stop-loss referred to as "hold harmless" if they have a positive 3-year rolling average for number of qualified awards, which they did not meet for FY16. For FY16, the College's performance funding would have dropped 1.49% after its outcome from meeting various targets, so it was awarded a \$53,563 stop-loss to bring it up to only a 1% drop (*Figure 1*). Because of this, the college would not recognize an incremental increase in funding from fraudulent reporting of enrollment. There may, however, be non-financial or political and social pressures to increase enrollment.

Performance Outcome	Dollar Change FY15 to FY16	Percent Change	Hold Harmless ¹	Hold Harmless Amounts	Stop-Loss Amounts ²
\$727,900	(\$162,100)	-1.49%	N		\$53,563

Figure 1

In our review of internal controls over enrollment reporting, we walked through the recruiting and admissions and reporting processes. Data from student files are entered into the Banner financial system. During the IT audit of the Banner system used to enter enrollment information, proper segregation of duties were observed. Fraudulent entry of false enrollment records would require collusion between employees.

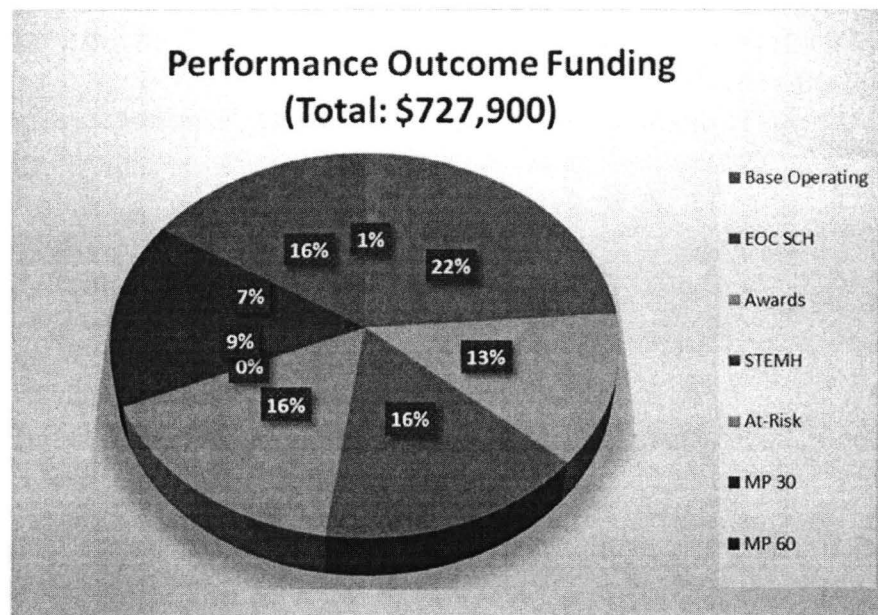
This data is reported to the e-DEAR system, which is used for state funding calculations. Three files concern enrollment: the Student file contains census data for the number of students at the beginning of the school year, the Course file contains a record for every course the student registers for, and the Student-Course file contains final grades. According to the e-DEAR manual, credit-hour balances are *regularly checked against each other* between these files. Additionally, we reviewed an error report with the Director of Institutional Research that occurs when data does not agree from the three reports. She has been with the College for 16 years and stated she has never found a "phantom student" only normal, non-fraudulent errors that were corrected.

Northern New Mexico College – JAG Response to Referral Letter
March 27, 2017

JAG also performed tracing and analytical procedures. The count of records in the Student File in eDEAR, which should reflect the census number of students at the beginning of the year, was traced to enrollment figures in the annual FactBook, which shows data compiled in Banner to HED and the public.

Credit-hour balances were calculated and manually traced between Student and Student-Course files. Non-qualifying end of course records were filtered from the Student-Course file, and the balances were compared to the census number to get a rate of completion. The results for Fall semester are assessed as reasonable, and they are not materially different from those reported for the school-year in the NM I&G Funding Formula tables.

High school and Concurrent students showed an increase in enrollment in 2013 and 2014 due to the state's Dual Credit program, making up 22% of the college's enrollment in 2014, and 16% of performance funding (*Figure 2*). This subset of records was more closely analyzed for any irregularities. Credit-hours for these students averaged 4.8 and had a similar skew to those reported state-wide.



Due to our inquiries, observation of internal controls, analysis of the environment, and the noted tracing and analytical procedures, we did not deem further work on enrollment necessary.

5. *"Please assess whether procurements, including any payments to Blue Sky Builders, Ltd through the Cooperative Education Service, are appropriately overseen by the Chief Procurement Officer (CPO) as required by Section 13-1-95.2E NMSA 1978."*

Northern New Mexico College – JAG Response to Referral Letter
March 27, 2017

- JAG inquired of the Board Chair, the College President, Mr. Sanchez, and the former Director of Financial Services regarding any procurements to Blue Sky. They noted there was a \$5,000 Purchase Order (PO) in place for the year under audit for some concrete work; however, the vendor reportedly is not currently interested in working for the College due to the complaints from the community about a conflict of interest. No expenses were noted in the general ledger against the PO.
 - No payments were made to Blue Sky during the year ended June 30, 2016. The large contract was actually in fiscal year 2014, which was previous to JAG's engagements with the College.
 - During our review of the HED report on the capital projects, we did not note transactions that should have been disclosed in the financial statements.
 - The former CPO left during fiscal year 2016 (October 2015) reportedly for a position with the Tribe that paid more than the College could. The position has been filled (July 2016); the new CPO obtained her certificate on June 9, 2016.
 - During our testing of Procurement, JAG noted that Mr. Sanchez and the former Director of Financial Services were mainly involved in the decision making on the procurements. There were 3 violations, reported as Finding **2016-005**.
 - During our testing of the financial statements, JAG noted that the former Director of Financial Services was in control of the preparation of the required Vendor Schedule, not the CPO. See also Finding **2016-006** regarding the College's Segregation of Duties material weakness.
6. *"Please assess whether, through inquiry and any other appropriate procedure, there were in fiscal year 2016 adequate segregation of duties. For example, the Office was informed that the (Acting) President was also the Chief Financial Officer and shared responsibility for personnel matters with the former Director of Financial Services, who may also be the Controller. Similarly, the Office received information suggesting an elevated risk of management override by the former Director of Financial Services and others related to the Chief Procurement Officer and procurements."*
- JAG noted a material weakness for lack of segregation of duties in this area and others, reported as Findings **2016-005** and **2016-006**. We see that the former Director of Financial Services was spread too thin and working in too many different areas to be effective.
7. *"The Higher Education Department released the enclosed "Capital Project Audit" dated October 1, 2015. While many of the specific observations in that audit predate the current fiscal year there are several systemic issues which may impact the fiscal year 2016 financial statements. Please assess whether any findings or disclosures are appropriate."*
- During our review of the HED report on capital projects, we did not note transactions that should have been disclosed in the financial statements.
 - There were no capital project expenditures for fiscal years 2015 and 2016.
 - There were no payments to Blue Sky for fiscal years 2015 and 2016.
 - The dorm project that was controversial has been suspended.

Northern New Mexico College – JAG Response to Referral Letter
March 27, 2017

- HED concluded that the College or their employees did not violate the GCA regarding conflict of interest rules based upon the fact that the Athletics Director and the Administrative Assistant to the VP of Finance were “non-substantial” owners (less than 20% owners) and the Administrative Assistant who approved a Blue Sky contract was not actually a part of the procurement process but was delegated the ability to approve a contract by the CFO for \$17,000 since the CFO was not available. However, we did include not reporting this in writing since the GCA Section 13-1-57 states that “financial interest” is 5% or greater.
- HED stated the College expended bond funds prior to obtaining the required HED and SBOF approvals, which was reported as a 2014 audit finding.
- HED reported the capital projects manager position was cut due to budgetary problems, which appears to remain a systemic problem occurring, see Finding **2016-006**.
- HED reported also that the College violated the procurement code by not utilizing the required formal bidding process for Blue Sky, as the College mistakenly thought they were an approved CES vendor. Procurement violations also remain as a systemic problem, see Finding **2016-005**.

8. *“The enclosed advice dated October 20, 2015 provided by Attorney General Balderas regarding the Agency and the El Rito Campus referenced an Agency representation that the Campus will remain open to various educational events and states that the Agency “. . . is not prohibited from moving the majority of its coursework from the El Rito campus . . . ” Please assess whether or not the Agency has maintained a minimum amount of coursework at the Campus in fiscal year 2016 and whether any rental proceeds from the Campus are appropriately accounted for.”*

- The College has not maintained coursework at the El Rito campus since approximately 2012-2013 as a result of declining enrollment and severe cash and budget shortages.
- Rental proceeds are limited to rental homes, one 60th wedding anniversary event, and food pantry distributions during fiscal year 2016. JAG obtained the calendar and listings of related receipts.
- We received the FY 2016 listing of El Rito events from Mrs. Brandi Cordova, Executive Assistant to the VP of Finance. We noted there was only one that was a paid event. We discussed with Brandi and noted that the event happened on August 27, 2015. She also advised that the rental was to Linda Marquez and payment was made to the cashier with two checks. One check for \$250 and another for \$200. We reviewed the TB and noted that Acct # 11000-4014-58088-604: Rental of Facilities-El Rito had a balance of \$75 and Account # 1210-3751-58088-201: Rental of Facilities-El Rito had a balance of \$250 for FY 2016. Additionally, there are trailer and home rentals at various monthly amounts; we did not see these amounts recorded in the general ledger accounts above. (See Finding **2016-008**)
- JAG understands the budget pressures, declining enrollment (at the time), and population shifts that caused the College to make this operational decision. JAG also sees that the AG’s letter’s language such as “majority of coursework” and “remaining open to various educational events” does not reflect what is currently occurring. JAG cannot conclude on the lawfulness or appropriateness of the College’s operational and fiscal decisions regarding the El Rito campus.

Northern New Mexico College – JAG Response to Referral Letter
March 27, 2017

- The new President, Dr. Richard J. Bailey, Jr., has several ideas for use of the campus, which have been reported in the media.
9. *“Finally, please test capital assets and the inventory listing for Agency assets initially purchased for the El Rito Campus. Please test the procedures for transferring or disposing of assets to ensure they are compliant with the Audit Rule.”*
- JAG toured the El Rito campus with Mr. Sanchez and noted that most assets and inventory have been removed.
 - The campus appears to be maintained properly, although the buildings are old/historic and could be remodeled or updated. The College is replacing one building’s roof.
 - The small asset items (less than \$5,000) were not properly tracked. JAG could not test that these items were properly moved to the main campus with the other assets, reported as Finding **2016-012**.
 - JAG sampled the capital assets with locations designated as El Rito on the June 30, 2015 listing to the June 30, 2016 listing and tested the items “transferred” to the main campus and did not find exceptions.
10. JAG reported the College was not in compliance with the New Mexico State Constitution requiring a 5 member board, as Finding **2016-011**.
11. JAG noted the College was not in compliance with New Mexico Prehistoric and Historic Sites Preservation Act (PHSPA), NMSA 1978, § 18-8-7, Preservation of significant prehistoric or historic sites, which states: “No public funds of the state or any of its agencies or political subdivisions shall be spent on any program or project that requires the use of any portion of or any land from a significant prehistoric or historic site unless there is no feasible and prudent alternative to such use, and unless the program or project includes all possible planning to preserve and protect and to minimize harm to the significant prehistoric or historic site resulting from such use.” The College replaced and added fencing on certain properties around Chacon Park in El Rito without realizing that fences also require contacting NM Energy and Minerals Natural Resources Department’s New Mexico State Parks Division. (See Finding **2016-015**)
12. JAG discovered possible waste and abuse (*defined in 3. above*) of the College’s resources during the course of this additional work. During calendar year 2015, it appears the former President (now on sabbatical) spent approximately 40 weekdays at conferences/events and approximately 70 weekdays on personal time off, “do-not-disturb” time, and travelling. Her annual leave does not reflect this amount of time outside her duties at the College. Although her contract does allow for professional meetings and occasional speaking engagements, the number of days appears to be excessive.

The former President’s annual salary is \$202,000 plus \$6,000 per year for an automobile allowance, plus \$18,000 for a housing allowance, plus an annual annuity of \$5,000 for insurance benefits, an estimated \$1,200 per year for a cell phone, and an estimated \$10,500 per year expenses reimbursed (based on 2014 expenses). This totals \$242,700, divided by 2,080 hours per year, equals an hourly rate of approximately \$117 per hour (not including taxes and other benefits at the College’s expense). The 110

Sanjay Bhakta, CPA, CGFM, CFE, CGMA, Deputy State Auditor
New Mexico Office of the State Auditor

Northern New Mexico College – JAG Response to Referral Letter
March 27, 2017

week days times 8 hours a day times \$117 per hour, equals an approximate cost of \$103,000 to the College for her time not worked at the College.

13. JAG discovered embezzlement during the course of the routine audit as described in **Finding 2016-002**. If you have questions or need additional information regarding these matters, please do not hesitate to contact the College's Audit Engagement Partner, Scott Eliason, CPA at 505.323.2035.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Eliason". The signature is fluid and cursive, with a large initial "S" and a stylized "E".

Scott Eliason, CPA

Jaramillo Accounting Group LLC (JAG)

JARAMILLO ACCOUNTING GROUP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

January 26, 2017

Tim Keller, State Auditor
New Mexico Office of the State Auditor
2540 Camino Edward Ortiz Suite A
Santa Fe, NM 87507

This letter is a follow-up to our previous letter dated November 13, 2016 which advised the Office that the June 30, 2016 audit report would be late (NMAC 2.2.2.9.A 5) as result of the College's inability to provide certain complete year-end cash reconciliations. The original estimated delivery to the State Auditor's Office was expected to be January 31, 2017.

At this time, we have not yet received the revised year-end cash reconciliations. This letter is to inform you that the June 30, 2016 audit report for Northern New Mexico College will not be provided by the original estimated delivery date January 31, 2017.

Additionally, we have completed a draft letter in response to the Audit Referral Letter dated August 12, 2016 related to certain information received through the State Auditor Office's special investigation's process. The elevated risks noted in this letter have resulted in certain additional audit findings to the June 30, 2016 financial statements. The final response to the Audit Referral Letter will be provided after we test the revised cash reconciliations.

We do not currently have an estimated delivery date, as we are waiting on a response from the client regarding a revised date they can commit to. We can assure you that once we have all the information needed to test the revised cash reconciliations we will finish the audit as quickly as possible.

If you have any questions, please do not hesitate to call me at (505) 323-2035.

Sincerely,



Scott Eliason, CPA
Engagement Partner

Hamish Thomson

From: Sunalei Stewart
Sent: Monday, November 14, 2016 2:01 PM
To: Hamish Thomson
Subject: FW: Northern New Mexico College Complaints
Attachments: HED Audit of Joseph Montoya Project (1).pdf; State Auditor Letter 11.14.16.pdf

From: Amanda Herrera **On Behalf Of** OSA Reports
Sent: Monday, November 14, 2016 9:33 AM
To: Sunalei Stewart <Sunalei.Stewart@osa.state.nm.us>; Kevin Sourisseau <Kevin.Sourisseau@osa.state.nm.us>
Subject: FW: Northern New Mexico College Complaints

Please see email & attachments. Thank you.

From: Brandi Cordova [<mailto:bcordova@nnmc.edu>]
Sent: Monday, November 14, 2016 9:33 AM
To: OSA Reports <reports@osa.state.nm.us>
Subject: Northern New Mexico College Complaints

Dear Mr. Kellar:

For the matter referenced above, attached is a letter and a copy of the HED Capital Projects Audit Report dated October 1, 2015.

Should you have any questions or need additional information, please let us know.

Thank you.

Brandi Cordova
*Executive Assistant to the VP for Finance & Administration,
Administrative Services Coordinator
Northern New Mexico College
921 Paseo de Onate
Española, NM 87532
Email: bcordova@nnmc.edu
Ph: 505-747-2129*

NORTHERN New Mexico College



RECEIVED

NOV 14 2016

STATE AUDITOR

November 14, 2016

Mr. Timothy M. Keller
Office of the State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, NM 87507

RE: *Northern New Mexico College Complaints*

Dear Mr. Keller:

Thank you for the visit by you and your staff this summer and for providing us an opportunity to discuss constituent concerns and our approach to governance, personnel issues, procurement and capital management at Northern New Mexico College (NNMC). Since your visit, NNMC has been joined by its new president, Dr. Richard Bailey, and, as we previously discussed, we are still awaiting news of the appointment of a replacement for our vacant regent position.

I would like to reiterate our sincere interest in helping you to respond to inquiries and to provide information needed by your office in order to resolve any outstanding issues you may have. Additionally, Regent Kevin Powers has expressed the same willingness to assist your auditors as they prepare their responses to issues they will be reviewing on behalf of the Office of the State Auditor. With this in mind, I believe it would be helpful to respond to the following issues mentioned in your letter dated August 12, 2016, which you stated might be indicative of governance issues which may extend to fraud, waste and abuse:

- Decline in student enrolment
- Increase in tuition
- Executive staff turnover
- Whistleblower complaints

Decline in Student Enrollment

NNMC experienced a three-year decline in student enrollment, beginning with a 10% reduction in the Fall 2013 enrollment, and continued decline in Fall 2014 and Fall 2015 by 20% and 22%, respectively. Much of this decline resulted from NNMC's transition from a two-year community college to a four-year institutional business model. The transition resulted in a major cultural and operational change for Northern New Mexico residents that had grown to

rely on the many traditional community college courses, degrees and certificates offered under NNMC's previous statutory workforce development charge.

However, with the support of the local and regional community and public acceptance of many of these changes that have occurred over the past several years, NNMC has successfully reversed a multi-year enrollment decline. Student enrollment for the Fall semester of 2016 has increased 7% and student credit hours are up by over 10%. NNMC believes that this positive turnaround in student enrollment can be attributed to the hard work of NNMC staff and faculty and a better community understanding of the college's four-year institutional mission.

Increase in Tuition

In the 2005 legislative session, NNMC was authorized to become a comprehensive four-year institution after serving Northern New Mexico residents since 1909 as a Normal School, a Vocational School and most recently as a Community College. NNMC operated under a community college business model until the hiring of its former president, Nancy Barceló, in July of 2010, at which time the college began the actual transition from a community college to a four-year institution. The business model required administrative infrastructure changes and the following five (5) colleges were formally established under the new designation as a comprehensive four-year institution:

- College of Arts and Sciences
- College of Business
- College of Education
- College of Engineering
- College of Nursing

The significant increase in tuition was driven by three primary factors: 1) the transition from a community college to an accredited four-year institution; 2) a major change in New Mexico's Higher Education funding formula; and 3) a continued decline in state funding for higher education throughout New Mexico.

The transition from a community college to a comprehensive four-year institution required NNMC to pursue the **accreditation** of a number of degree programs throughout the newly established colleges. Accreditation was costly but necessary in order to ensure that degrees obtained from NNMC were acceptable to other accredited institutions by those students interested in pursuing advanced degrees such as a Masters or Ph.D.

The transition to an accredited institution also imposed a much higher cost for faculty in order to meet accreditation requirements. Educational programs were required to have full-time faculty with Ph.D. credentials and a minimum number of full-time faculty for each degree program offered by the college. As a community college, NNMC was able to rely heavily on part-time adjunct faculty positions for the delivery of its educational offerings, which focused primarily on associate degrees and certificates. NNMC's cost for full-time faculty teaching 15

credit hours increased over six fold when compared to cost of adjunct faculty teaching the same number of credit hours. Despite this increase in cost, NNMC still maintains the lowest average faculty salaries and lowest tuition cost of any other four-year institution in New Mexico.

NNMC also experienced a major shift in operational cost as the state of New Mexico adopted an outcome-based funding methodology for higher education which focuses on degrees awarded, course completion and at-risk student achievement. This major change in funding methodology resulted in the elimination of a number of certificate and two-year programs offered at NNMC that were popular during the community college era.

In addition to these major changes, NNMC, like other four-year institutions, has experienced a reduction of over two million dollars in state funding over the past five years and today our funding is at levels once seen as far back as FY08 (2007-2008).

Executive Staff Turnover

Over the past 12 months, NNMC has experienced a turnover of four (4) key members of its administration. These key positions included the President, Vice President for Advancement, Associate Vice President of Administration, and Provost and Vice President for Academic Affairs.

The former President of NNMC informed the Board of Regents of her intention to retire at the end of December 2015 and is currently on sabbatical through December 31, 2016. The Vice President for Advancement position was vacated upon notification of the President's retirement and was vacated effective December 31, 2015. The position was subsequently eliminated in the FY17 budget preparation process as a cost-saving measure and the departments reporting to this position were redistributed between the two (2) remaining Vice President positions.

The Associate Vice President of Administration position, which also assumed duties of Director of Human Resources, was officially vacated effective December 31, 2015, and was reclassified in this year's budgeting process as a Personnel Manager reporting to the Director of Finance. The departments previously reporting directly to the Associate Vice President now report directly to the Vice President for Finance and Administration.

The final position, Provost and Vice President for Academic Affairs, expired contractually on June 30, 2016, and an interim Vice President was appointed on July 1, 2016.

Whistle Blower Complaints

During the challenging transition from a two-year community college to a four-year comprehensive institution, NNMC was required to eliminate numerous staffing positions and educational programs for purposes of ensuring the financial solvency of the institution. The elimination of programs also resulted in employee positions being eliminated or, in some cases, incumbent employees were not renewed for the upcoming academic school year. Through this process a handful of employees elected to pursue whistle blower cases against NNMC, which

Mr. Timothy Keller
Page 4
November 14, 2016

have resulted in two legal settlements to date. NNMC is still awaiting the conclusion of two additional whistle blower cases resulting from this period of program and staff reductions.

Your August 12 letter also made reference to the ratio of Instructional Support costs to Instructional costs nearly doubling from 36% in 2011 to 71% at the end of fiscal year 2015. There were many factors contributing to the increase. Some of these factors included the realignment of the reporting of our institutional budget to comply with NMHED budget reporting requirements, the hiring of a Vice President position to oversee Institutional Support activities and a declining drop in enrollment and operating budgets within the various budget reporting functions. The percentage for FY16 and FY17 will be lower due to reduced budgeted expenditures in the Instructional Support function and the elimination of the Vice President for Advancement position on December 31, 2015.

Finally, you referenced the Higher Education Department (HED) Capital Projects Audit Report dated October 1, 2015, and the need for specific issues to be addressed by the college. A copy of the HED Capital Projects Audit was provided to our auditors for their review, discussion and follow up during our FY15 and FY16 audits. The State Auditor was copied on the HED report which included NNMC's management responses and proposed corrective action plan dated October 1, 2015, and is attached for your review.

I hope this response is helpful in addressing the concerns raised by those interested parties in communication with your office. If you have any further questions regarding this matter, please do not hesitate to contact me at 505-927-0674.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rosario Garcia', with a stylized flourish at the end.

Rosario "Chayo" Garcia
Board President

cc: Dr. Richard Bailey, NNMC President
Domingo Sanchez III, Vice President for Finance and Administration
NNMC Board of Regents

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

September 2, 2016

Juan Garcia, Vice Chair
Sociedad Venceslao Jaramillo
P.O. Box 1, El Rito, NM 87530

Re: Northern New Mexico College

Dear Mr. Garcia:

Thank you for contacting the New Mexico Office of the State Auditor ("Office") regarding Northern New Mexico College ("NNMC").

The Office instructed the independent public accountant conducting the fiscal year 2016 annual audit for NNMC to assess the concerns. The auditor's response will be reviewed and any finding(s), with management's response(s), will be found on the Office's website osanm.org using a search for Northern New Mexico College's fiscal year 2016 financial statements once they are finalized. Alternatively, please contact Hamish Thomson at 505-476-3818 for any update.

Additionally, the Office brought the enclosed concerns to those charged with governance, management and other entities. The Office is continuing to address new concerns as they arise and is in contact with incoming President Rick Bailey in order to facilitate a smooth and transparent transition. Finally, the Office is of the opinion that NNMC is well advised to focus on a transparent personnel system, with effective conflict of interest policies and procedures, based upon merit.

Again, thank you for contacting the Office and bringing these concerns to our attention.

Respectfully,

A handwritten signature in black ink that reads "Hamish Thomson".

Hamish Thomson, CPA/CFF, CFE
Special Investigations Supervisor

cc: Secretary Barbara Damron, Higher Education Department
Interim President Domingo Sanchez III
Audrey Jaramillo, CPA

Enclosures: Letter dated August 11, 2016 to The Honorable Susana Martinez
Letter dated August 12, 2016 to the Board of Regents
Letter dated August 12, 2016 to Director Christy Tafoya, NM State Parks
Letter dated August 10, 2016 to Dr. Rick Hendricks, Ph.D., State Historian

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

September 2, 2016

Donald Martinez Sr., Chair
Sociedad Venceslao Jaramillo
P.O. Box 1, El Rito, NM 87530

Re: Northern New Mexico College

Dear Mr. Martinez:

Thank you for contacting the New Mexico Office of the State Auditor ("Office") regarding Northern New Mexico College ("NNMC").

The Office instructed the independent public accountant conducting the fiscal year 2016 annual audit for NNMC to assess the concerns. The auditor's response will be reviewed and any finding(s), with management's response(s), will be found on the Office's website osanm.org using a search for Northern New Mexico College's fiscal year 2016 financial statements once they are finalized. Alternatively, please contact Hamish Thomson at 505-476-3818 for any update.

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Again, thank you for contacting the Office and bringing these concerns to our attention.

Respectfully,

A handwritten signature in black ink, appearing to read "Hamish Thomson".

Hamish Thomson, CPA/CFF, CFE
Special Investigations Supervisor

cc: Secretary Barbara Damron, Higher Education Department
Interim President Domingo Sanchez III
Audrey Jaramillo, CPA

Enclosures: Letter dated August 11, 2016 to The Honorable Susana Martinez
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Letter dated August 10, 2016 to Dr. Rick Hendricks, Ph.D., State Historian

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

August 11, 2016

The Honorable Susana Martinez
Office of the Governor
490 Old Santa Fe Trail, Room 400
Santa Fe, New Mexico 87501

Re: Northern New Mexico College

Dear Governor Martinez:

The Office of the State Auditor (Office) is aware that the Northern New Mexico College (NNMC) Board of Regents does not have a full complement of Regents at a time when they are addressing declining enrolment and executive turnover in the aftermath of changes at the El Rito Campus.

Article 12, Section 13 of the New Mexico State Constitution requires that NNMC shall be governed by a Board of Regents consisting of five members. Currently, the NNMC Board of Regents has four filled positions. Furthermore, the term of at least one Regent expires later this year. Filling these positions, with the senate's advice and consent, will ensure that the Board of Regents is fully staffed to govern effectively after the incoming President takes office in October.

The purpose of this letter is to ensure that the governance needs of NNMC are met by your office by promptly nominating and appointing, with Senate consent, a fifth Regent with relevant knowledge and experience preferably including the ability to examine potential educational uses of the El Rito Campus.

If you have any questions regarding this matter please do not hesitate to contact our Office at 505-476-3800.

Respectfully,

A handwritten signature in cursive script that reads "Timothy M. Keller".

Timothy M. Keller
State Auditor

Timothy M. Keller
State Auditor



State of New Mexico
OFFICE OF THE STATE AUDITOR

Sanjay Bhakta, CPA, CGFM, CFE, CGM
Deputy State Auditor

August 12, 2016

Rosario "Chayo" Garcia, Board President
Northern New Mexico College
921 North Paseo de Oñate
Española, New Mexico 87532

Re: Northern New Mexico College

Dear Board President Garcia:

The Office of the State Auditor (Office) thanks you for meeting with us and appreciates your openness to proactively work on issues we discussed related to governance, personnel, procurement and capital management at Northern New Mexico College (NNMC).

The Office recognizes the attention of the Board to its recruitment of a new President which creates an opportunity for NNMC to assess its mission and direction. The Office has written to the Governor, enclosed, requesting she appoint a fifth Regent as is her statutory responsibility.

This constitutional college, and the educational opportunities it provides, is a vital mainstay of the local community. However, the Office is aware that the decline in student enrolment, increase in tuition, executive staff turnover and whistleblower complaints are indicative of governance issues which may extend to fraud, waste and abuse. The ratio of Instructional Support costs to Instructional costs nearly doubled from 36% in 2011 to 71% at the end of fiscal year 2015. Also, the Higher Education Department (HED) Capital Projects Audit Report dated October 1, 2015 identifies specific issues requiring attention.

The Office is aware that each of the following areas may require attention:

- The underlying causes of executive staff turnover, including a) compliance with the intent of Section 10-16A NMSA 1978 "Financial Disclosures" and b) the Agency's settled¹ and ongoing lawsuits² for which may indicate instances of fraud, waste and abuse as reflected in any insurance payouts and premium increases.

¹ See D-117-CV-201400278 re: Angelo Jacques. The Agency's attorney Basham and Basham may have been paid in FY 2016 for representing a senior college employee in case D-117-CV-201500158 against Mr. Jacques in what is allegedly an abusive or wasteful private lawsuit regarding a personal matter.

² See the Memorandum of Opinion 2016-NMCA-036 dated December 16, 2015 in ongoing cases D-117-CV-201400038 brought by the Northern New Mexico Federation of Educational Employees.

- The procedures and practices for hiring (Policy 3.26), terminations (Policy 3.19) and other personnel actions need to be consistent with the Staff Handbook such that whistleblower complaints are understood as opportunities to address issues before they become intractable or personalized as disrespect. A specific concern, which we have not assessed, is that executive management attempted to intimidate staff into falsifying enrolment numbers.
- The Office was informed by the Interim President / Chief Financial Officer and Finance Director / Controller that they share responsibility for personnel and procurement matters suggesting an elevated risk that management may override internal controls.

The Higher Education Department released the "Capital Project Audit" dated October 1, 2015 and, while many of the specific observations predate the current fiscal year, there are several systemic issues which may require attention including the procedures for transferring or disposing of assets to ensure compliance with the Audit Rule.

Please consider, in anticipation of an incoming President: 1) an examination of policies and procedures in regards to governance, a code of conduct, personnel and procurement; and 2) a follow up on the Higher Education Department audit as it relates to conflicts of interest; and 3) how the principles identified in the U.S. Government Accountability Office Green Book³ might strengthen the components of internal control.

We bring this matter to your attention in order for you to consider the adequacy of your internal control which is a process used by management to help an entity achieve its objectives. Internal control helps an entity run its operations efficiently and effectively, report reliable information about its operations and comply with applicable laws and regulations.

It is the responsibility of management to design, implement, maintain and monitor appropriate internal controls and to promptly take corrective action when deficiencies are identified. Two important components of internal controls are the control environment and risk assessment, which set the tone of the organization, reflect the management's operating style and provide a basis for appropriate risk responses.

The Office of the State Auditor has not reviewed, assessed or otherwise evaluated these allegations or your internal controls as they currently exist. This letter is intended solely to remind management of its responsibilities as they pertain to governance, personnel, procurement and capital management processes in an effort to proactively address shortcomings, should any exist.

³ The Green Book "Standards for Internal Control in the Federal Government," issued in September 2014 adapts the principles identified in the Committee of Sponsoring Organizations of the Treadway Commission "Internal Control – Integrated Framework" issued in 2013 for a government environment. The Green Book appears appropriate for adoption by state, local and quasi-governmental entities. The Audit Rule, supplemented by the Green Book, provides useful definitions related to fraud, waste and abuse.

We trust this communication will help NNMC resolve several long standing issues. If you have additional information, or have any questions, please do not hesitate to contact Kevin Sourisseau, CPA directly at 505-476-3820 or at Kevin.Sourisseau@osa.state.nm.us or Hamish Thomson, CPA/CFE, CFE at 505-476-3818 or Hamish.Thomson@osa.state.nm.us.

Respectfully,



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

cc: Board of Regents
Interim President Domingo Sanchez III
Independent Public Accountant, Audrey Jaramillo, CPA (without enclosures)

Enclosed: Office letter dated August 11, 2016 to the Governor
Office letter dated August 12, 2016 to the State Historian, Rick Hendricks
Office letter dated August 12, 2016 to the State Parks Director, Christy Tafoya

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGML
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

August 12, 2016

Christy Tafoya, Division Director
New Mexico State Parks
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Northern New Mexico College – El Rito Campus

Dear Ms. Tafoya:


The Office of the State Auditor (OSA) received concerns regarding the El Rito campus of Northern New Mexico College (NNMC). This information was routed to the OSA Special Investigations Division (SID) for review.

Pursuant to the Audit Act (NMSA 1978, Sections 12-6-1 through 12-6-14) and the Audit Rule (2.2.2.15 NMAC) the State Auditor may conduct fact-finding procedures and evaluate the issues raised in regard to a potential waste¹ of resources.

The OSA was informed that the NNMC had built fencing around Chacon Park in El Rito without appropriate consideration for the historic nature of the Park and without proper consultation with your Division. We have not evaluated the allegations and are forwarding this matter to your Office solely for the purpose of bringing this matter to your attention.

On behalf of State Auditor Keller, thank you for reviewing the matter. If you have additional information, or have any questions regarding this matter, please do not hesitate to contact me directly at 505-476-3820 or Kevin.Sourisseau@state.nm.us or Hamish Thomson at 505-476-3818 or at Hamish.Thomson@osa.state.nm.us.

Respectfully,


Kevin Sourisseau
Special Investigations Director

¹ The U.S. Government Accountability Office Green Book "Standards for Internal Control in the Federal Government," issued in September 2014 adapts the principles identified in the Committee of Sponsoring Organizations of the Treadway Commission "Internal Control – Integrated Framework" issued in 2013 for a government environment. The Green Book appears appropriate for adoption by state, local and quasi-governmental entities and defines in section 8.03 defines waste as "the act of using or expending resources carelessly, extravagantly, or to no purpose."

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGM
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

August 10, 2016

Rick Hendricks, Ph.D., State Historian
Office of the State Historian
State Records Center & Archives
1205 Camino Carlos Rey
Santa Fe, New Mexico 87507

Re: Northern New Mexico College

Dear Dr. Hendricks:

The Office of the State Auditor (OSA) received concerns regarding the closure of the El Rito campus of Northern New Mexico College (NNMC). This information was routed to the OSA Special Investigations Division (SID) for review.

Pursuant to the Audit Act (NMSA 1978, Sections 12-6-1 through 12-6-14) and the Audit Rule (2.2.2.15 NMAC) the State Auditor may conduct fact-finding procedures and evaluate the issues raised in regard to a potential waste¹ of resources.

The OSA was informed that NNMC is not properly maintaining the historic educational facilities in El Rito in consultation with your office. We have not evaluated the allegations and are forwarding this matter to you solely for the purpose of bringing this matter to your attention.

On behalf of State Auditor Keller, thank you for reviewing the matter. If you have additional information, or have any questions regarding this matter, please do not hesitate to contact me directly at 505-476-3820 or Kevin.Sourisseau@state.nm.us or Hamish Thomson at 505-476-3818 or Hamish.Thomson@state.nm.us.

Respectfully,

A handwritten signature in black ink, appearing to read "Kevin Sourisseau", with a long horizontal flourish extending to the right.

Kevin Sourisseau, CPA
Deputy State Auditor

¹ The U.S. Government Accountability Office Green Book "Standards for Internal Control in the Federal Government," issued in September 2014 adapts the principles identified in the Committee of Sponsoring Organizations of the Treadway Commission "Internal Control – Integrated Framework" issued in 2013 for a government environment. The Green Book appears appropriate for adoption by state, local and quasi-governmental entities and defines in section 8.03 defines waste as "the act of using or expending resources carelessly, extravagantly, or to no purpose."

Hamish Thomson

From: Kevin Sourisseau
Sent: Thursday, August 25, 2016 2:48 PM
To: Hamish Thomson
Subject: FW: El Rito Campus Chacon Park
Attachments: Inspection notification letter.pdf

From: Kowalski, Judy, EMNRD [mailto:Judy.Kowalski@state.nm.us]
Sent: Monday, August 22, 2016 3:58 PM
To: Kevin Sourisseau <Kevin.Sourisseau@osa.state.nm.us>; hamish.thompson@osa.state.nm.us
Subject: FW: El Rito Campus Chacon Park

Gentlemen, in response to your letter of August 12, 2016, regarding the issue of access to Chacon Park in El Rito, I have attached a letter sent to the then-President of Northern New Mexico Community College notifying the College that they were out of compliance with Land and Water Conservation Fund (LWCF) requirements regarding the condition of their LWCF funded facilities (the softball field and Chacon Park on the campus were constructed using LWCF funds). Providing public access to the LWCF-funded outdoor recreation facility is another requirement that the grantee must meet. We did not receive a response to the attached letter, but given that the condition of the facility was very poor at the time of the inspection, it is clear that there are a number of other issues that should be addressed by the facility managers to remain in good standing with the LWCF program. I would be happy to discuss this further with you at your convenience if that would be helpful. We were not notified of the installation of the fence by the College, and therefore did not have an opportunity to provide consultation.

Feel free to contact me if you would like to discuss this matter further.

Regards,

Judy Kowalski, Bureau Chief
Design and Development Bureau
State Parks Division, EMNRd
1220 S. St. Francis Drive
Santa Fe, NM 87505
505-476-3387

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Tommy Mutz
Director Division
State Parks Division



June 25, 2015
Dr. Nancy "Rusty" Barceló, President
Northern New Mexico College
921 N. Paseo de Oñate
Española, NM 87532
RE: LWCF projects No. 35-00494 and 35-00955

Dr. Nancy Barcelo

The State Parks Division of the NM Energy, Minerals and Natural Resources Department is the State Agency that administers the Federal Land and Water Conservation Fund (LWCF) for New Mexico. We are in the process of conducting site inspections of LWCF funded projects throughout the State to ensure compliance with Public Law 88-578; 16 U.S.C. 4601-8, Section 6(f) 3. Our recent inspection of Projects No. 35-00494 and 35-00955 identified some potential concerns that we would like to bring to your attention.

One of the requirements to which recipients of LWCF funds must agree is that LWCF projects remain in recreation use in perpetuity. Following is an excerpt from the LWCF Manual describing the responsibilities of fund recipients:

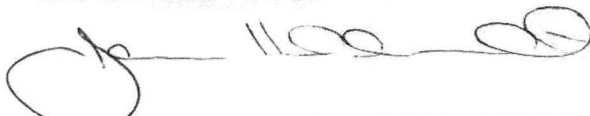
Property acquired or developed with LWCF assistance shall be operated and maintained as follows:

- 1. The property shall be maintained so as to appear attractive and inviting to the public.*
- 2. Sanitation and sanitary facilities shall be maintained in accordance with applicable health standards.*
- 3. Properties shall be kept reasonably open, accessible, and safe for public use. Fire prevention, lifeguard, and similar activities shall be maintained for proper public safety.*
- 4. Buildings, roads, trails, and other structures and improvements shall be kept in reasonable repair throughout their estimated lifetime to prevent undue deterioration and to encourage public use.*
- 5. The facility shall be kept open for public use at reasonable hours and times of the year, according to the type of area or facility.*
- 6. A posted LWCF acknowledgement sign shall remain displayed at the project site pursuant to Chapter 7.*

The Inspections were conducted January 27, 2015 by Mr. Romero. The Scope of Project 35-00494 consisted of basketball & volleyball courts, tennis court, shuffleboard area, horseshoe area, picnic tables, playground, barbecue pits, benches, restrooms, fencing, landscaping, and sign. According to Mr. Romero the horseshoe pit is no longer there, both the basketball and volleyball courts are in need of repair and the picnic tables and playground equipment are in very poor condition. The scope of Project 35-00955 consisted of a softball field with backstop, bleachers, sprinklers, landscaping, restrooms, seeding and sign. The bleachers, backstop and dugouts are all in poor condition as well as the sprinkler system not working.

Please review the attached documents and let me know how the NNMCC will be able to address corrective actions to maintain compliance with the funding requirements.

James Hilderbrandt



NM Energy Minerals and Natural Resources Dept.
1220 S. St. Francis Dr.
Santa Fe, NM. 87505
505-476-3533
505-795-2303 Cell
James.Hilderbrandt@state.nm.us

Hamish Thomson

From: Pedro Lorenzo Martinez <pedrolmartinez2010@hotmail.com>
Sent: Monday, January 9, 2017 12:54 PM
To: richard.gaona@ed.gov; Hamish Thomson; Exec.Admin@state.nm.us;
Jeneva.LiRosi@state.nm.us
Subject: Conspiracy to Commit Fraud with Title V Funding and other federal grants, mismanagement, supplanting, Title VI violations and many others.

Dear Mr. Gaona,

Back in October of 2016, I communicated to you by phone and alerted to to you that the New Mexico state auditors have been going through a review process at Northern New Mexico College. I understand that this is an ongoing process and that no final report has been issued. However, I have provided pictures of equipment bought not used, consultants that were paid without submitting their work and about \$350,000 of purchase to repair a kitchen at a extension site under the pretense that it was a bona fide use of funds for an academic program that never existed. In addition, I have knowledge that this was a conspiracy perpetrated by former President Nancy Barcelo, Former VP for Advancement Ricky Serna and present VP for Finances, Domingo Sanchez with the knowledge of Chayo Garcia, present chair of Board of Regents. I also have copies of e-mail communications that I alerted the Board of Regents of this issue and instead I was retaliated for doing my duty and following my ethical compass.

I'm the former Provost of Northern New Mexico College and as early as August of 2016, I was approached by a state auditor and encouraged to provide information. Since many of these violations are connected to grant money, I reached out to you and provided you with a brief summary but did not receive any directive as to how to proceed to report this matter to the Department of Education. I'm once again reaching out to you and requesting that you provide me with the information that I need to report a conspiracy of fraud that I witnessed during my two-year tenure at Northern New Mexico College.

I can be reached at 505 470-4003. Please be aware that I no longer reside in New Mexico and I'm in the Eastern Standard Time Zone.

thank you,
Dr. Pedro L. Martinez

cc. AttorneyGeneral,
Hector Balderas

Hamish Thomson

From: Pedro Lorenzo Martinez <pedrolmartinez2010@hotmail.com>
Sent: Tuesday, December 13, 2016 12:56 AM
To: Hamish Thomson
Subject: Re: oivil Rights Violation

You never responded. Did you get other documents that were mailed to your office?
PLM

From: Pedro Lorenzo Martinez <pedrolmartinez2010@hotmail.com>
Sent: Friday, September 2, 2016 1:04 PM
To: Hamish.Thomson@osa.state.nm.us
Subject: oivil Rights Violation

Attach please find a report and other information related to closing of educational programs. I am not sure if this within your scope but certainly is seems to be a violation of Title VI. If not, let me know to whom I should submit this information.

Thank you,

Dr. Pedro L. Martinez

Hamish Thomson

From: Pedro Lorenzo Martinez <pedrolmartinez2010@hotmail.com>
Sent: Friday, September 30, 2016 12:40 PM
To: Hamish Thomson
Subject: Re: Other Equipment

the fiscal year in question is 2014-2015. The external report spans to the same fiscal period. I need your physical address to mail the report since it was an internal report.

PLM

From: Hamish Thomson <Hamish.Thomson@osa.state.nm.us>
Sent: Friday, September 30, 2016 1:54 PM
To: Pedro Lorenzo Martinez
Subject: RE: Other Equipment

Mr. Martinez:

Thank you. Which fiscal year do the documents in question relate to? What is the date of the external report and does it relate to a matter which is or has been litigated?

Regardless, please forward to any emails currently in your possession regarding the accusations, and any rebuttal, related to the PAF which you reference.

For your information I shall be out of the office for a few weeks and shall be in touch upon my return.

Thank you,

Hamish

From: Pedro Lorenzo Martinez [mailto:pedrolmartinez2010@hotmail.com]
Sent: Friday, September 30, 2016 6:22 AM
To: Hamish Thomson <Hamish.Thomson@osa.state.nm.us>
Subject: Re: Other Equipment

Mr. Thomson,

Good morning! I was able to find a copy of the PAF for Professor Joaquin Gallegos indicating that his salary was covered under a Title 5 Grant. I found this unusual since Mr. Gallegos had been employed by Northern and his salary was paid by state funding. I personally had signed his PAF, salary which should have been covered under state funds. When an outside evaluator for this grant and Maria Suarez alerted me to this alleged supplanting, I informed Domingo Sanchez of this situation. Instead, Mr. Sanchez accused Ms. Suarez of lying despite the fact that I had obtained a copy of the PAF indicating showing otherwise that he was indeed being paid through the grant. I could scan or mail that copy to you. Additionally, I have the original report of concerns related to paying consultants from a grant when there was evidence that the external consultant was not submitting any work and yet was paid for no services rendered. I forwarded that copy to Mr. Domingo

Sanchez. This report is not in an e-mail format and I will rather mail it to you instead of scanning it. Please let me know if you wish to receive a copy.

Thnak you,

Dr. Pedro L. Martinez

From: Hamish Thomson <Hamish.Thomson@osa.state.nm.us>

Sent: Thursday, August 25, 2016 6:31 PM

To: Pedro Lorenzo Martinez

Subject: RE: Other Equipment

Pedro,

Thank you for taking the time to provide these four emails regarding Northern NM College.

I will be in touch after reviewing this information.

Respectfully,

Hamish

From: Pedro Lorenzo Martinez [<mailto:pedrolmartinez2010@hotmail.com>]

Sent: Thursday, August 25, 2016 12:49 PM

To: Hamish Thomson <Hamish.Thomson@osa.state.nm.us>

Subject: Other Equipment

This equipment , #1000,000 sits idle in a lab in the Vocational Tech Building. It has never been used. Also I saw document with Mr. Leroy Lucero has and was supposed to return to me. There was no bidding, there was a note saying that this was the only company that sold this equipment. I was told B by Ulises Ricoy that this was an inferior product and that other companies had better equipment. I gave Mr Leroy Lucero over 50 purchase requisitions. He told me himself that Domingo and him could only account for \$250,000 worth of equipment. I also gave him the purchase requisitions that they used to renovate the El Rito kitchen, I believe it was approximately \$350,000. I received copies from Stephanie Lovato in grantss when I was looking for information of other equipment bought. She told me: "Oh by the way, there are also purchases for equipment at El Rito claiming that it was fro a program (Culinary Art) that we never had". These, I also gave to Mr. Leroy Lucero and told Domingo about it.

PS will make copies of the PAF for Joaquin Gallegos and the letter of concern about the consultant getting paid without submitting work. I can copy these and leave them in your office or mail them. I'm going away for the week end and will not be back until Wednesday.

I also have a calendar of days from executive members who stay home for days and days "working from home" and never reported absences. especially one person who has two of his own businesses.

PLM

Hamish Thomson

From: Pedro Lorenzo Martinez <pedrolmartinez2010@hotmail.com>
Sent: Thursday, August 25, 2016 12:49 PM
To: Hamish Thomson
Subject: Other Equipment
Attachments: Equipment at NNMC.docx

This equipment , #1000,000 sits idle in a lab in the Vocational Tech Building. It has never been used. Also I saw document with Mr. Leroy Lucero has and was supposed to return to me. There was no bidding, there was a note saying that this was the only company that sold this equipment. I was told B by Ulises Ricoy that this was an inferior product and that other companies had better equipment. I gave Mr Leroy Lucero over 50 purchase requisitions. He told me himself that Domingo and him could only account for \$250,000 worth of equipment. I also gave him the purchase requisitions that they used to renovate the El Rito kitchen, I believe it was approximately \$350,000. I received copies from Stephanie Lovato in grantss when I was looking for information of other equipment bought. She told me: "Oh by the way, there are also purchases for equipment at El Rito claiming that it was fro a program (Culinary Art) that we never had". These, I also gave to Mr. Leroy Lucero and told Domingo about it.

PS will make copies of the PAF for Joaquin Gallegos and the letter of concern about the consultant getting paid without submitting work. I can copy these and leave them in your office or mail them. I'm going away for the week end and will not be back until Wednesday.

I also have a calendar of days from executive members who stay home for days and days "working from home" and never reported absences. especially one person who has two of his own businesses.

PLM

Hamish Thomson

From: Pedro Lorenzo Martinez <pedrolmartinez2010@hotmail.com>
Sent: Thursday, August 25, 2016 11:43 AM
To: Hamish Thomson
Subject: E-mails from me expressing concerns about grants.
Attachments: E-mails concerns with grants.doc; Response to Allegations Biggs (1).docx; Rosario Garcia.docx; Response to Evaluation.docx

I will continue to see what other pictures from e-mails I was able to salvage. But I can tell you where that equipment is presently located.

The supplanting of Joaquin Gallegos full year salary, I will have to scan and forward to you. If you accept a copy of a text message, I will do that or even mail you a hard copy.

The hiring of a friend of Ricky Serna who was paid without producing reports, I will have to find. I forwarded a copy to Domingo Sanchez but he never acknowledge the e-mail. Strangely enough, that e-mail has been deleted but I had printed a hard copy,

PLM

Hamish Thomson

From: Pedro Lorenzo Martinez <pedrolmartinez2010@hotmail.com>
Sent: Thursday, August 25, 2016 11:28 AM
To: Hamish Thomson
Subject: Fw: Pictures of the Greenhouse at El Rito

----- Forwarded message -----

From: **Pedro Martinez** <pedro.martinez@nnmc.edu>
Date: Fri, Nov 20, 2015 at 3:55 PM
Subject: Re: Pictures of the Greenhouse at El Rito
To: Joaquin Gallegos <joaquin.gallegos@nnmc.edu>

Thank you!

On Fri, Nov 20, 2015 at 3:54 PM, <joaquin.gallegos@nnmc.edu> wrote:
Hello Dr. Martinez,

Here are the photos I took.

Hamish Thomson

From: Pedro Lorenzo Martinez <pedrolmartinez2010@hotmail.com>
Sent: Thursday, August 25, 2016 11:27 AM
To: Hamish Thomson
Subject: Fw: Pictures of the Greenhouse at El Rito
Attachments: ATT00001.htm; image1.jpeg; image2.jpeg; image3.jpeg; image4.jpeg; image5.jpeg; image6.jpeg; image7.jpeg; image6.jpeg; image5.jpeg; image2.jpeg; image7.jpeg; image3.jpeg; image1.jpeg; image4.jpeg

This is only one of the equipment that I encountered that was bought and never used. I also have another equipment in one of the labs, and spectrometer that was bought and have never been used. The faculty in the Sciences were complaining that they were not consulted. This was part of the purchase frenzy at the end of the fiscal year to give the impression that they were complying with the grant goals.

In a meeting early in the Fall of 2015, when Domingo had asked me to provide him with any receipts and purchases from grants, Ricky Serna told Domingo and I that he had purchased a million dollars of equipment. Domingo Sanchez was upset because in several executive meetings these purchase created a cash flow for the college. There is a lot of equipment left behind at el Rito.

There was very expensive equipment that is stored at one of the warehouses at El Rito. When I tried to rescue a very expensive equipment I was told that I could not bring it back to the campus. Water seepage was destroying the fire simulation and the cameras that were at El Rito. This is when Joaquin Gallegos and Cecilia Romero had taken a tour with me to see what equipment we could salvage and use on campus.

There were very expensive equipment at El Rito, scuba diving, and other water suits. I ma not sure what Ocean they were trying to explore. The were fa machines, computers that were relative I new and unused. There was a room that I could not enter because the handle for the door was removed and could not see what equipment was being stored. It was quite obvious that equipment was bough not with the intention for use but simply to spend federal funds due to lack of oversight and poor planning. When I alerted the Board because nothing was being done, they refused to meet with me. Will mail e-mails that I forwarded to my private e-mail

As I search for more pictures you will receive them piecemeal. Some of my e-mail has been deleted, not by me!

Pedro Martinez

Do you need a \$67,000 Green House?

From: Pedro Martinez <pedro.martinez@nnmc.edu>
Sent: Thursday, June 16, 2016 4:17 PM
To: pedrolmartinez2010@hotmail.com
Subject: Fwd: Pictures of the Greenhouse at El Rito

----- Forwarded message -----

From: Pedro Martinez <pedro.martinez@nnmc.edu<mailto:pedro.martinez@nnmc.edu>>

Date: Fri, Nov 20, 2015 at 3:55 PM

Subject: Re: Pictures of the Greenhouse at El Rito

To: Joaquin Gallegos <joaquin.gallegos@nnmc.edu<mailto:joaquin.gallegos@nnmc.edu>>

Thank you!

On Fri, Nov 20, 2015 at 3:54 PM, <joaquin.gallegos@nnmc.edu<mailto:joaquin.gallegos@nnmc.edu>> wrote:
Hello Dr. Martinez,

Here are the photos I took.

[image1.jpeg][image2.jpeg][image3.jpeg][image4.jpeg][image5.jpeg][image6.jpeg][image7.jpeg]

Have a wonderful thanksgiving.

Regards

Joaquin Gallegos

Sent from my iPhone

On Nov 20, 2015, at 3:13 PM, Pedro Martinez <pedro.martinez@nnmc.edu<mailto:pedro.martinez@nnmc.edu>> wrote:

Joaquin,

I hope you enjoy your Thanksgiving Break. When you have a chance, could you send me pictures of the greenhouse stored at El Rito.

Pedro

Dr. Pedro L. Martinez, Provost
and Vice President of Academic Affairs
NORTHERN New Mexico College
921 Paseo de Oate
Española, New Mexico 87532
pedro.martinez@nnmc.edu<mailto:pedro.martinez@nnmc.edu>
(505) 747-2112<tel:%28505%29%20747-2112>

--

Dr. Pedro L. Martinez, Provost
and Vice President of Academic Affairs
NORTHERN New Mexico College
921 Paseo de Oate
Española, New Mexico 87532
pedro.martinez@nnmc.edu<mailto:pedro.martinez@nnmc.edu>
(505) 747-2112<tel:%28505%29%20747-2112>

--

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(505) 747-2112

Documentation of Breach of Contract by NNMCM with AFSC

The contract between Northern New Mexico College (NNMC) and the American Friends Service Committee (AFSC), signed July 1, 2015, states that NNMC will "provide use of the cold storage and dry storage located in the JCI building by the AFSC Farm Training Program". The contract was agreed to from July 1-June 30, 2015.

However NNMC also signed a contract with the County of Rio Arriba to use the same space and additionally the commercial kitchen in the JCI building. The County of Rio Arriba then subcontracted with the nonprofit organization Siete del Norte to manage the space. NNMC staff Stephanie Lovato and Henriette Trujillo said they were not aware that the County made that arrangement. AFSC co-director Sayrah Namaste asked for a copy of the contract between NNMC and the County on June 27th and again on July 6th but was never given a copy. Domingo said that Ricky Serna, who signed the contract with AFSC in previous years, had also signed a contract with the County in 2015 and 2014 despite having a contract with AFSC over the same space.

On May 20th, AFSC found out from Steve Vigil, staff person at Siete del Norte, that we would no longer have access to the cold and dry storage. The keypad that opened the doors was changed and the code and main key were in the possession of Siete del Norte. If AFSC wanted to use the space, we had to ask Siete del Norte and the staff had to agree and personally open it for us if they were available. This was untenable. AFSC was no longer able to use the cold and dry storage. This could not have come at a worse time as we not only had weekly harvests and sales that required cooling in May and June, but we were preparing for our major event, the annual Garlic Festival on June 25th, co-organized by AFSC, NNMC and the New Mexico Acequia Association. The dry racks were needed for the garlic that would be harvested. Steve Vigil of Siete del Norte told AFSC that we would not be allowed to dry our garlic on the racks and that we needed to take the dry racks out of the space. All of this was in breach of our contract. We also needed the cold storage in the days leading up to the event as we provide food to the attendees. Professor Ana Cisneros Gutierrez (not an AFSC staff person but a NNMC faculty) was able to negotiate with Steve Vigil to put the food in the cold storage for the June 25th event. AFSC had to tear down the dry racks and was unable to use the space for the garlic drying.

On June 27th, AFSC staff Sayrah Namaste and Patrick Jaramillo along with NNMC Professor Patricia Trujillo and NMAA staff Pilar Trujillo (no relation) had an appointment with Henrietta Trujillo (no relation) to renegotiate the annual contract between AFSC and NNMC. Unfortunately Henrietta had a family emergency so she asked Stephanie Lovato to fill in. There has been a year long contract between the NNMC and AFSC since 2012. Stephanie told the group that the cold storage and dry storage had to be removed from the contract because NNMC had already signed contracts with the County over that space. The group explained that this was a problem to have it removed as that infrastructure was key to the project. A follow up conversation on July 6th between Sayrah, Henrietta Trujillo and Domingo Sanchez of NNMC by telephone was about the problem of AFSC not being able to use the space, and the fact that the

space was empty despite the County/Siete del Norte having a contract. Domingo offered to talk with the County and get back to her. As of August 15th, AFSC has never heard back from NNMC and the contract expired on July 1, 2016.

Hamish Thomson

From: Amanda Herrera
Sent: Friday, August 12, 2016 12:03 PM
To: audrey@JAGnm.com
Cc: Kevin Sourisseau
Subject: Northern New Mexico College - OSA FY16 Referral
Attachments: Northern NM College.pdf

Good morning Ms. Jaramillo:

Please find an attached referral from the Office of the State Auditor. Thank you, have a great day.

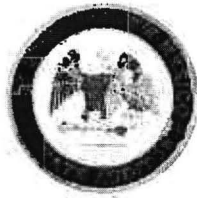
*Amanda E. Herrera
Office Administrator/Receptionist
Office of the State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, New Mexico 87507
Phone: (505) 476-3800
Fax: (505) 827-3512 / reports@osa.state.nm.us
www.osanm.org / 1-866-OSA-FRAUD*



Helping Government Work Better

Man is still the most extraordinary computer of all. John F. Kennedy

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

Via Email and U.S. Mail

August 12, 2016

Audrey Jaramillo
Jaramillo Accounting Group, LLC
4700 Lincoln Rd. NE Suite 120
Albuquerque, NM 87109

Re: Northern New Mexico College ("Agency") – Referral for FY 2016 Audit

Dear Ms. Jaramillo:

In the context of the background information attached to this letter, the Office of the State Auditor ("Office") is providing this communication to inform you that we have received information through our confidential special investigations process that suggests that elevated risk exists in the following areas:

1. Fraud, Waste and Abuse – Audit Rule and the U.S. Government Accountability Office Green Book¹
2. Public Officers and Employees – Chapter 10 NMSA 1978
3. Procurement Code – Chapter 13, Article 1 NMSA 1978
4. El Rito Campus ("Campus") – Article XII, Section 11 of the NM Constitution
5. Sale of Public Property – Chapter 13, Article 6 NMSA 1978

Interim President Domingo Sanchez advertises on his LinkedIn page, enclosed, an ongoing active interest as "Principal Consultant and Owner" in Mpower. Similarly, the Athletics Director Ryan Cordova, whose wife is an executive assistant to Domingo Sanchez, is identified in a Higher Education Department audit and on the Secretary of State website, both enclosed, as the Vice-President of Blue Sky Builders, Inc. Please assess whether any compliance finding, disclosures or emphases of matter are required.

The Office received multiple allegations, some anonymous, stating that executive staff committed fraud, waste and abuse over multiple years and that in fiscal year 2016 these issues are reflected in the high level of executive staff turnover, whistleblowers and lawsuits. Please assess:

¹ The Green Book "Standards for Internal Control in the Federal Government," issued in September 2014 adapts the principles identified in the Committee of Sponsoring Organizations of the Treadway Commission "Internal Control – Integrated Framework" issued in 2013 for a government environment. The Green Book appears appropriate for adoption by state, local and quasi-governmental entities.

- Whether the Board has a plan to address the underlying causes of executive staff turnover, including a) compliance with the intent of Section 10-16A NMSA 1978 "Financial Disclosures" and b) the Agency's settled² and ongoing lawsuits³ for reportable instances of fraud, waste and abuse as reflected in any insurance payouts and premium increases.
- Whether the procedures for hiring (Policy 3.26), terminations (Policy 3.19) and other personnel actions are consistent with the Agency's Staff Handbook. Please include in your sample the Admissions Director and Registrar, questioning whether enrolment numbers are reported accurately in compliance with laws and regulations.
- Whether procurements, including any payments to Blue Sky Builders, Ltd through the Cooperative Education Service, are appropriately overseen by the Chief Procurement Officer as required by Section 13-1-95.2E NMSA 1978.
- Whether, through inquiry and any other appropriate procedure, there were in fiscal year 2016 adequate segregation of duties. For example, the Office was informed that the (Acting) President was also the Chief Financial Officer and shared responsibility for personnel matters with the Finance Director, who may also be the Controller. Similarly, the Office received information suggesting an elevated risk of management override by the Finance Director and others related to the Chief Procurement Officer and procurements.

The Higher Education Department released the enclosed "Capital Project Audit" dated October 1, 2015. While many of the specific observations in that audit predate the current fiscal year there are several systemic issues which may impact the fiscal year 2016 financial statements. Please assess whether any findings or disclosures are appropriate.

The enclosed advice dated October 20, 2015 provided by Attorney General Balderas regarding the Agency and the El Rito Campus referenced an Agency representation that the Campus will remain open to various educational events and states that the Agency "... is not prohibited from moving the majority of its coursework from the El Rito campus ..." Please assess whether or not the Agency has maintained a minimum amount of coursework at the Campus in fiscal year 2016 and whether any rental proceeds from the Campus are appropriately accounted for.

Finally, please test capital assets and the inventory listing for Agency assets initially purchased for the El Rito Campus. Please test the procedures for transferring or disposing of assets to ensure they are compliant with the Audit Rule.

As part of your planning and risk assessment procedures please contact Kevin Sourisseau, CPA at 505-476-3820 Kevin.Sourisseau@osa.state.nm.us or Hamish Thomson, CPA/CFF, CFE at 505-476-3818 Hamish.Thomson@osa.state.nm.us to schedule a brief telephonic or in-person meeting with the Special Investigations Division. The meeting, in combination with this letter, is necessary to ensure that the Office's knowledge of other information indicating potential risk is communicated timely to your firm so you can appropriately consider the information during your risk assessment in accordance with AU-C Section 240. The meeting will also facilitate discussion

² See D-117-CV-201400278 re: Angelo Jacques. The Agency's attorney Basham and Basham may have been paid in FY 2016 for representing a senior college employee in case D-117-CV-201500158 against Mr. Jacques in what is allegedly an abusive or wasteful private lawsuit regarding a personal matter.

³ See the Memorandum of Opinion 2016-NMCA-036 dated December 16, 2015 in ongoing cases D-117-CV-201400038 brought by the Northern New Mexico Federation of Educational Employees.

about the concerns noted above and ensure that open lines of communication exist between the Office and your Firm.

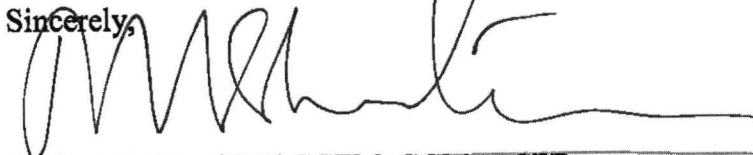
Please take the circumstances described above in to account in your risk assessment and perform such procedures as, in your professional judgement, are necessary to determine what further action, if any, in the form of additional disclosure, findings and/or recommendations are appropriate in connection with the FY 2016 annual audit of the Agency.

After the conclusion of fieldwork but prior to submitting the draft annual audit report to the Office for review, please provide written confirmation to the Office that your Firm took appropriate action in response to this referral. If there are additional disclosures, findings, and/or recommendations associated with this referral included in the FY 2016 annual audit report, please reference them in your written confirmation. If no additional disclosures, findings, and/or recommendations resulted from this referral please include language indicating that no reportable conditions were noted.

Be sure to include adequate documentation in your audit workpapers to support your written confirmation to the Office that your Firm took appropriate action in response to this referral. As outlined in 2.2.2.13 NMAC the Office may review IPA workpapers associated with the annual audit of the Agency. If this engagement is selected for a workpaper review the Office will examine your Firm's documentation associated with this referral. Insufficient or inadequate documentation may result in deficiencies noted in the workpaper review letter and may negatively impact your Firm during the subsequent firm profile review process. In accordance with 2.2.2.8.H NMAC, IPAs may be placed on restriction based on the Office's review of the firm profile and various deficiency considerations. The deficiency considerations include failure to comply with Office referrals such as this one in a timely manner.

The Office has multiple files related to the Agency which we will make available to you upon request. If you have questions, or need additional information regarding this communication, please do not hesitate to contact us. The Office of the State Auditor appreciates your assistance with this issue and looks forward to working closely with you and your firm.

Sincerely,



Sanjay Bhakta, CPA, CGFM, CGMA, CFE
Deputy State Auditor

Enclosed: Interim President Domingo Sanchez's LinkedIn page dated July 28, 2016
 HED Capital Project Audit dated October 1, 2015
 Blue Sky Builders, Ltd., corporation search dated July 28, 2016
 NM Attorney General's Opinion dated October 20, 2015

BACKGROUND INFORMATION ON REFERRALS

The Audit Act (NMSA 1978, Sections 12-6-1 et seq.) states that audits of New Mexico governmental agencies “shall be conducted in accordance with generally accepted auditing standards and *rules issued by the state auditor* [emphasis added]” (12-6-3 NMSA 1978). Accordingly, on an annual basis the Office of the New Mexico State Auditor (“Office”) promulgates the Audit Rule. The objective of the 2016 Audit Rule is to “establish policies, procedures, rules and requirements for contracting and conducting financial audits, special audits, attestation engagements, performance audits, and forensic audits of governmental agencies of the state of New Mexico” (2.2.2.6 NMAC).

The Audit Act requires that “the state auditor shall cause a complete written report to be made of each annual or special audit and examination made. Each report shall set out in detail, in a separate section, *any* [emphasis added] violation of law or good accounting practices found by the audit or examination.” In accordance with statute, the 2016 Audit Rule incorporates the following language “when auditors detect immaterial violations of provisions of contracts or grant agreements or abuse that are required to be reported by Section 12-6-5 NMSA 1978, that do not rise to the level of significant deficiencies or material weaknesses, those findings should be classified as warranting the attention of those charged with governance, since Section 12-6-5 NMSA 1978 requires any violation of law found by the audit to be set out in detail in the report. The auditor must communicate such violations in the “compliance and other matters” paragraph in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards” (2.2.2.10.I.9 NMAC).

In the event that any finding does not meet the requirements described in the most recent edition of the AICPA’s Audit and Accounting Guide for Governmental Auditing Standards and Single Audits (AAG-GAS) necessary to be included in the report on internal controls or the schedule of findings and questioned costs, the finding “must be presented in a separate schedule of findings labeled “Section 12-6-5 NMSA 1978 findings” in the back of the audit report following the schedule of findings that do meet the applicable AAG-GAS reporting requirements” (2.2.2.10.I.1(c) NMAC).

In conducting risk assessment associated with the annual audit of an agency subject to the 2016 Audit Rule, Independent Public Accountants (IPA) are instructed to refer to 2.2.2.10.G NMAC which requires that “an IPA shall identify significant state statutes, rules and regulations applicable to the governmental agency under audit and perform tests of compliance.” **Materiality in relation to the audit of the financial statements does not apply to compliance with state statutes, rules and regulations.**

[What is LinkedIn?](#) [Join Today](#) [Sign in](#)

Domingo Sanchez

Interim President at Northern New Mexico College
Santa Fe, New Mexico Area | Financial Services

152
connections

Current Northern New Mexico College, Mpower
Previous New Mexico Department of Transportation, Colleg of Santa Fe, New Mexico
Highlands University
Education New Mexico State University

View Domingo's full profile. It's free!

Your colleagues, classmates, and 400 million other professionals are on LinkedIn.

[View Domingo's Full Profile](#)

Summary

I would characterize myself as a leading manager, very hands on, with the primary objectives of helping people in need and solving operational problems.

Experience

Interim President

Northern New Mexico College

January 2016 – Present (7 months)

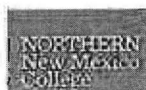
- Serve as Chief Executive Officer of Northern New Mexico College (NNMC) and manager of all administrative and academic operations;
- Directly supervise the activities of the Provost and Vice President for Academic Affairs and the Vice President for Finance and Administration;
- Coordinate and prepare NNMC's annual legislative agenda and serve as chief lobbyist on behalf of NNMC on all legislative issues;
- Serve as NNMC's liaison to establish and maintain effective working relationships with federal, state and local government officials, legislators, various boards and commissions and the community; and
- Coordinate and preside over all budget hearings with administrative and academic department managers in the preparation of NNMC's annual operating budget request to ensure compliance with state statutes, legislative appropriations and NMHED and Department of Finance and Administration (DFA) guidelines and regulations.

Vice President for Finance and Administration

Northern New Mexico College

February 2011 – Present (5 years 6 months)

- Serve as Chief Financial Officer of Northern New Mexico College (NNMC) and manager of all administrative and auxiliary operations;
- Supervise managers who oversee the departments of finance and accounting, human resources, campus security, buildings and grounds, athletics, food services, bookstore and management



Find a different Domingo Sanchez

First Name Last Name

Example: Domingo Sanchez



Domingo Sanchez
Titan Management
United States



Domingo Sanchez
Branch Manager at City Electric
Supply
United States



Domingo Sanchez II
Mechanical Engineer at Northrop
Grumman
United States



Domingo Sanchez III
Project Manager
United States



Domingo Sanchez
CEO at Aim Pest Control
United States

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Joe Dorn
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Career Development Specialist at SL
Start and Associates



Yvette Armstead
Director of Concourse Plaza
Wellness Center



Zhengyan Liu



Dr. Pedro Martinez-Addarich
Full- Professor-College of Education
2014-16 Provost and VP Academic
Affairs at Northern New Mexico
College



Timothy Braddock
Middle Management Naval
Aerospace Medical Institute

information technology;

- Coordinate and prepare NNMC's annual legislative capital outlay package for approval by the Board of Regents and presentation before the New Mexico Higher Education (NMHED) Capital Outlay Committee;
- Serve as chief lobbyist on behalf of NNMC on all legislative issues;
- Serve as NNMC's liaison to establish and maintain effective working relationships with federal, state and local government officials, legislators, various boards and commissions and the community; and
- Coordinate and preside over all budget hearings with administrative and academic department managers in the preparation of NNMC's annual operating budget request to ensure compliance with state statutes, legislative appropriations and NMHED and Department of Finance and Administration (DFA) guidelines and regulations.

Principal Consultant and Owner

Mpower

May 2001 – Present (15 years 3 months)

Administrative Services:

- Assist nonprofit and governmental clients in establishing and maintaining financial accounting management systems, and developing internal controls and financial procedures;
- Process accounts receivables for federal and state restricted and unrestricted funds, prepare annual operating budgets and monthly budget adjustment requests, and daily cash management;
- Prepare financial transactions, bank reconciliations, financial reports and subsidiary and general ledgers, in accordance with generally-accepted accounting standards; and
- Manage special capital outlay funds, in accordance with state and federal procurement requirements and reporting.

Consulting Services:

- Advise and assist financially-distressed governmental and nonprofit agency directors, board members and staff on daily operational issues;
- Develop and implement administrative procedures and operational action plans designed to guide leadership officials on the effective management of organizational human and fiscal resources;
- Develop administrative procedures and board policies to assist management, staff and governing board officials to efficiently manage and safeguard organizational resources and assets; and
- Develop database systems to assist clients in the management and reporting of budgetary, financial and business-related information.

Deputy Secretary for Finance and Administration

New Mexico Department of Transportation

January 2008 – December 2010 (3 years)

- Served as Chief Financial Officer of the New Mexico Department of Transportation's (NMDOT's) administrative operations;
- Supervised NMDOT directors and bureau chiefs overseeing the departments of finance and accounting, budget, procurement services, strategic planning, quality assurance, human resources, legal services, management information systems, employee support and labor management, employee training and development, risk management, facilities, general services and the federal equal employee opportunity program;
- Coordinated and prepared NMDOT's annual legislative initiatives on behalf of the State Transportation Commission and the Governor, and for presentation before legislative committees and subcommittees;
- Served as liaison on behalf of NMDOT with federal, state and local government officials, legislators and tribal governments; and
- Coordinated and presided over all budget hearings with administrative and field operations department directors in the preparation of NMDOT's annual billion-dollar operating budget and capital expenditure requests to ensure compliance with state statutes, legislative appropriations and DFA guidelines and regulations.

Vice President for Finance

Colleg of Santa Fe

July 2007 – June 2008 (1 year)

- Supervised the human resources department to ensure institutional compliance with human



Lawrence Sweat
What's LinkedIn? Join Today Sign In



Larry Sweat
Bus Driver at CCBE



Jerome Williams
Regional Administrator at El Centro
Family Health



Patricia Ward
High School Teacher at Gilbert
Unified School District 41



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resource policies and procedures, employment practices and employee compensation;

- Provided technical assistance and advice to the college president, deans and division directors regarding administrative and fiscal matters and coordinated all strategic planning activities;
- Supervised capital project construction activities and prepared financial reports to ensure compliance with approved capital project operating budgets;
- Coordinated and prepared SFCC's annual legislative capital outlay package for approval by the Board of Regents; and
- Reviewed all construction services agreements and prepared bond reports and compliance documentation related to general obligation bond and severance tax projects.

What is LinkedIn? Join Today Sign In

Vice President for Finance and Administration

New Mexico Highlands University

July 2006 – June 2007 (1 year)

- Served as Chief Financial Officer of New Mexico Highlands University (NMHU) and manager of all administrative departments;
- Supervised managers who oversee the departments of finance and accounting, human resources, campus police, buildings and grounds, athletics and management information systems;
- Coordinated and prepared NMHU's annual legislative capital outlay package for approval by the Board of Regents and presentation before the New Mexico Higher Education (NMHE) Capital Outlay Committee;
- Served as chief lobbyist on behalf of NMHU on all legislative issues;
- Served as NMHU's liaison to establish and maintain effective working relationships with federal, state and local government officials, legislators, various boards and commissions, and the community; and
- Coordinated and presided over all budget hearings with administrative and academic department managers in the preparation of NMHU's annual operating budget request to ensure compliance with state statutes, legislative appropriations and NMHE and DFA guidelines and regulations.

Executive Director

New Mexico Association of Counties

April 2000 – June 2001 (1 year 3 months)

- Supervised the administrative, finance and accounting and risk management insurance divisions;
- Served as chief lobbyist for all legislative priorities on behalf of all 33 member counties of the New Mexico Association of Counties (NMAC);
- Served as an ex-officio member of the Association's Board of Directors, Executive Committee and Insurance Pool Board; and
- Served as NMAC's liaison to establish and maintain effective working relationships with federal, state and local government officials and legislators.

Director

Presbyterian Medical Services, North Central System

February 1999 – March 2000 (1 year 2 months)

- Supervised fourteen departments providing prevention, primary care, behavioral health, dental care, hospice services, long-term care and head start programs;
- Supervised administrative support personnel responsible for payroll, accounts payable, accounts receivable and human resources functions within the System;
- Directed, coordinated, and planned system operational activities and business strategies within Santa Fe, Rio Arriba and Taos counties;
- Prepared System revenue forecast projections, operating budgets, financial and programmatic reports for corporate office;
- Developed training tools, processes and program measures used by North Central System administrative personnel in areas of financial record keeping, grant writing, internal controls, Medicaid and Medicare reimbursement, accounts receivable collections, personnel policies and procedures and organizational development; and
- Served as liaison on behalf of Presbyterian Medical Services before federal, state and local governmental bodies, special interest groups and program advisory boards in order to establish and maintain effective working relationships within the Northern New Mexico communities we served.

County Manager

County of Santa Fe

January 1995 – June 1998 (3 years 6 months)

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- Served as Chief Administrator of county government operations on behalf of the Board of County Commissioners;
- Developed and implemented public policy and strategic planning initiatives for Santa Fe County (County) government;
- Supervised County department directors overseeing the departments of administration, finance and accounting, human resources, legal, management information systems, land use, public works, general services, utilities and public housing;
- Prepared County government's annual legislative initiatives on behalf of the Board of County Commissioners for presentation before legislative committees and subcommittees as County government's chief lobbyist;
- Served as liaison on behalf of the Board of County Commissioners to establish and maintain effective working relationships with federal, state and local government officials, legislators, tribal governments, boards and commissions, and community special interest groups; and
- Coordinated and presided over all budget hearings with County government departments and elected officials in the preparation of County government's annual operating budget for Board of County Commissioners' approval.

Director

New Mexico State Transportation Authority

April 1994 – December 1994 (9 months)

- Managed the daily operations of the New Mexico State Transportation Authority (Authority) staff;
- Developed a state transportation multi-modal plan for the state of New Mexico;
- Developed transportation policies used in the implementation of transportation projects funded under the Authority's grant program;
- Prepared the agency budget request, operating budget, budget adjustment requests, grant requests and financial reports;
- Represented the Authority as Chief Administrator and lobbyist on transportation issues and legislative initiatives, including preparing, organizing and presenting testimony before the House Appropriations Committee, Senate Finance Committee and other special legislative subcommittees;
- Educated transportation development districts, the general public, news media and local, state and federal government officials on transportation programs, policies and initiatives; and
- Developed and maintained effective working relationships with federal, state, tribal and local government officials, legislators, transportation development districts and numerous private transportation entities.

Director

Administrative Office of District Attorneys'

July 1993 – April 1994 (10 months)

- Managed day-to-day operations, assisted and advised the district attorneys in the development of agency fiscal and administrative policies and programs;
- Assisted the district attorneys' office administrators in the preparation of budget requests, operating budgets, budget adjustment requests and in the preparation of financial and accounting reports;
- Administered the New Mexico District Attorneys' Personnel and Compensation Act and provided fourteen (14) district attorney offices with human resource support services;
- Developed and prepared personnel policies and human resource procedures to provide district attorneys' offices an administrative structure to formally address employee compensation issues, position reclassification requests and employee disciplinary actions;
- Coordinated and prepared all legislative and executive requests for financial information on behalf of all district attorneys' offices; and
- Provided direct testimony before the House Appropriations and Finance Committee, Senate Finance Committee and other special committees on financial matters associated with the district attorneys.

Executive Budget Analyst

New Mexico Department of Finance and Administration

May 1991 – July 1993 (2 years 3 months)

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- Prepared state agency operating budgets on behalf of the Governor and presented oral testimony in support of the executive branch's budget recommendations before the House Appropriations and Finance Committee, Senate Finance Committee and other special legislative subcommittees;
- Reviewed agency Budget Adjustment Requests (BARs) to ensure that revenue sources (i.e., Federal Funds, Other State Funds, Internal Service Transfers and General Fund) and expenditures requested were allowable under state statutes;
- Reviewed and analyzed agency data processing and information systems funding requests, staff development plans and organizational restructuring proposals for fiscal impact and Department of Finance and Administration approval; and
- Assisted state agencies in preparing post-legislative annual operating budgets, in compliance with all legislatively-approved funding authorizations and special capital outlay appropriations.

Staff Electrical Engineer

New Mexico Public Service Commission

October 1985 – April 1991 (5 years 7 months)

- Supervised and coordinated all staff activities associated with the regulatory applications or filings submitted on behalf of rural electric cooperatives and investor-owned electric, water and gas utilities;
- Reviewed technical and financial exhibits, reports, design plans and specifications offered as evidence by public utilities in cases pertaining to changes in utility company rates and services and the construction and/or alteration of utility plant operating facilities;
- Prepared gross revenue projections for utility companies under the jurisdiction of the New Mexico Public Service Commission (Commission);
- Prepared and reviewed studies pertaining to utility cost of service, original plant cost, and plant and equipment depreciation costs; and
- Prepared written testimony and exhibits on behalf of the Commission and testified as an expert witness on engineering, financial and regulatory matters pertaining to regulatory proceedings falling under the jurisdiction of the Commission.

Electrical Engineer II

Salt River Project

January 1985 – October 1985 (10 months)

- Prepared engineering studies of future system impacts on power system operations;
- Prepared operational procedures and coordination plans for scheduled power system outages;
- Prepared system and equipment performance studies and event operating system analysis reports;
- Updated switchyard and receiving station operating procedures manuals; and
- Negotiated power resource contract agreements with other utility companies.

Engineer I

Salt River Project

January 1984 – January 1985 (1 year 1 month)

- Performed engineering-level investigations of power systems and equipment performance;
- Prepared power system short-circuit and transient voltage studies;
- Prepared economic evaluation and cost benefit analysis of various elements in electrical system studies;
- Conducted power flow studies to determine operating restrictions and limitations for planned future electric system facilities additions (breakers, transformers, new transmission lines, etc.); and
- Performed power flow base case studies to determine electrical power system operating limitations in preparation for planned and unplanned power system outages.

Skills

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Education

New Mexico State University

BS-Electrical Engineering, Power Engineering and Electronics
1981 – 1983

New Mexico State University

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- Get introduced
- Contact Domingo directly

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Entity Details

Entity ID#:	1647825	Status:	Active
Entity Name:	BLUE SKY BUILDERS, INC.	Standing:	Good Standing
DBA Name:	Not Applicable		

Entity Type and State of Domicile

Entity Type:	Domestic Profit Corporation	Domestic State:	New Mexico
Statute Law Code:	53-11-1 to 53-18-12		

Formation Dates

Reporting Information

Period of Existence and Purpose and Character of Affairs

Outstanding Items

Pending Reports:

No Pending Reports.

Contact Information

Mailing Address:	PO BOX 608, ESPANOLA, NM, 87532 USA
Principal Place of Business in New Mexico:	18635 N. HWY 84, ESPANOLA, NM, 87532 USA
Secondary Principal Place of Business in New Mexico:	
Principal Office Outside of New Mexico:	Not Applicable
Registered Office in State of Incorporation:	Not Applicable



Attorney General Of New Mexico

HECTOR H. BALDERAS
Attorney General

ELIZABETH A. GLENN
Chief Deputy Attorney General

October 20, 2015

The Honorable Richard C. Martinez
New Mexico State Senator
P.O. Box 762
Española, New Mexico 87532

Re: Opinion Request –Northern New Mexico College

Dear Senator Martinez:

You requested our advice regarding whether the New Mexico Constitution requires Northern New Mexico College ("NNMC") to provide a minimal level of activity, programming and/or courses on the El Rito Campus." As discussed below, our review of the New Mexico Constitution, the Enabling Act, statutes, and case law authorities leads us to conclude that, as a constitutional state educational institution, NNMC is not prohibited from moving the majority of its coursework from the El Rito campus so long as the school's trust lands and their proceeds are used for the purpose of maintaining NNMC as a state educational institution.

Article XII, Section 11 of the New Mexico Constitution confirms NNMC, among others, as a state educational institution and describes its location as "El Rito." According to your request, NNMC plans to relocate all of its academic coursework to the Española campus in an effort to centralize NNMC's resources. The request states that you have been "assured by [NNMC]'s administration that the El Rito campus will remain open to conferences, academic retreats, public gatherings and as a host site for research expeditions."

The 1910 Enabling Act was an act signed by the U.S. Congress that "provided for New Mexico's admission as a state into the federal union and set forth certain basic conditions for statehood." State ex rel. King v. Lyons, 2011-NMSC-004, ¶ 3, 149 N.M. 330, 248 P.3d 878. The Enabling Act "granted over thirteen million acres of federal land to the State of New Mexico, to be held in trust for the benefit of various public schools and other institutions." Lyons, 2011-NMSC-004, ¶ 5, 149 N.M. 330. "By the Enabling Act certain grants of public lands were made to New Mexico for purposes of which there was a specific enumeration." Ervien v. United States, 251 U.S. 41, 45 (1919). The U.S. Supreme Court has confirmed that "the disposition of any of the lands or of the money or anything of value directly or indirectly derived therefrom for any object other than the enumerated ones should be deemed a breach of trust." Id. at 47 (quotation marks omitted). See

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Entity Details

Entity ID#: **1647825**Status: **Active**Entity Name: **BLUE SKY BUILDERS, INC.**Standing: **Good Standing**DBA Name: **Not Applicable**

Entity Type and State of Domicile

Entity Type: **Domestic Profit Corporation**Domestic State: **New Mexico**Statute Law Code: **53-11-1 to 53-18-12**

Formation Dates

Reporting Information

Period of Existence and Purpose and Character of Affairs

Outstanding Items

Pending Reports:

No Pending Reports.

Contact Information

Mailing Address: **PO BOX 608, ESPANOLA, NM, 87532 USA**Principal Place of Business in New Mexico: **18635 N. HWY 84, ESPANOLA, NM, 87532 USA**

Secondary Principal Place of Business in New Mexico:

Principal Office Outside of New Mexico: **Not Applicable**

Registered Office in State of Incorporation:

Not Applicable

Principal Place of Business in
Domestic State/ Country:

Principal Office Location in NM: **Not Applicable**

Registered Agent Information

Name: **RICHARD CORDOVA**

Geographical Location
Address:

Physical Address: **18635 N. HWY 84,
ESPANOLA, NM, 87532
USA**

Mailing Address: **NONE**

Date of Appointment: **08/01/2012**

Effective Date of
Resignation:

Director Information

Title	Name	Address
Director	RICHARD CORDOVA	P.O. BOX 608, ESPANOLA, NM, 87532 USA

Officer Information

Title	Name	Address
President	RICHARD CORDOVA	P.O. BOX 608, ESPANOLA, NM, 87532 USA
Vice President	RYAN CORDOVA	P.O. BOX 608, ESPANOLA, NM, 87532 USA

Organizer Information

Not Applicable

Incorporator Information

No Records to View.

Trustee Information

Not Applicable

Filing History



License History



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Attorney General Of New Mexico

HECTOR H. BALDERAS
Attorney General

ELIZABETH A. GLENN
Chief Deputy Attorney General

October 20, 2015

The Honorable Richard C. Martinez
New Mexico State Senator
P.O. Box 762
Española, New Mexico 87532

Re: Opinion Request –Northern New Mexico College

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Article XII, Section 11 of the New Mexico Constitution confirms NNMC, among others, as a state educational institution and describes its location as "El Rito." According to your request, NNMC plans to relocate all of its academic coursework to the Española campus in an effort to centralize NNMC's resources. The request states that you have been "assured by [NNMC]'s administration that the El Rito campus will remain open to conferences, academic retreats, public gatherings and as a host site for research expeditions."

The 1910 Enabling Act was an act signed by the U.S. Congress that "provided for New Mexico's admission as a state into the federal union and set forth certain basic conditions for statehood." State ex rel. King v. Lyons, 2011-NMSC-004, ¶ 3, 149 N.M. 330, 248 P.3d 878. The Enabling Act "granted over thirteen million acres of federal land to the State of New Mexico, to be held in trust for the benefit of various public schools and other institutions." Lyons, 2011-NMSC-004, ¶ 5, 149 N.M. 330. "By the Enabling Act certain grants of public lands were made to New Mexico for purposes of which there was a specific enumeration." Ervien v. United States, 251 U.S. 41, 45 (1919). The U.S. Supreme Court has confirmed that "the disposition of any of the lands or of the money or anything of value directly or indirectly derived therefrom for any object other than the enumerated ones should be deemed a breach of trust." Id. at 47 (quotation marks omitted). See

also Enabling Act, § 10 (“[d]isposition of [these lands]...for any other object other than that for which such particular lands...were granted or confirmed, or in any manner contrary to the provisions of this act, shall be deemed a breach of trust”). The Enabling Act’s terms concerning lands granted or confirmed by the federal government were incorporated into the New Mexico Constitution. See N.M. Const. art. XXI, § 9.

In Article XII, Section 11 of the state constitution, New Mexico enumerated the state educational institutions to benefit from the Enabling Act. Article XII, Section 12 reasserts the Enabling Act’s restrictions on land, applying them specifically to state educational institutions: “All lands granted under the provisions of the [Enabling Act,] for the purposes of said several institutions are hereby accepted and confirmed to said institutions, and shall be exclusively used for the purposes for which they were granted[.]” N.M. Const. art XII, § 12. NNMC is confirmed in the state constitution as a state educational institution under the name “northern New Mexico state school, at El Rito.” See N.M. Const. art XII, § 11.¹

The New Mexico Constitution provides that “[t]he schools, colleges, universities and other educational institutions provided for by this constitution shall forever remain under the exclusive control of the state.” N.M. Const. art XII, § 3. The Constitution further provides that “[t]he legislature shall provide for the control and management of each of the [state educational] institutions, except the university of New Mexico, by a board of regents for each institution....” N.M. Const. art. XII, § 13(A).

Under pertinent case law and other legal authority, the state will meet the restrictions of the Enabling Act and the state constitution so long as the trust land and its proceeds are used for the purposes for which they were granted. In United States v. State of New Mexico, 536 F.2d 1324 (10th Cir. 1976), the Tenth Circuit Court of Appeals determined that the Enabling Act required New Mexico to establish and maintain a licensed and certified general miners’ hospital. Id. at 1327-29. Under Article XIV, Section 1 of the New Mexico Constitution, “the miners’ hospital at Raton” and other listed entities are confirmed as state institutions. The Tenth Circuit acknowledged that the Enabling Act required the trust funds be used for the purpose of a miners’ hospital, not necessarily the miners’ hospital at Raton, stating that “the trust funds are allotted solely for use at Miners’ Hospital at Raton or any other hospital New Mexico may wish to maintain as a ‘miners’ hospital.” Id. (emphasis added). Although not stated expressly, the Tenth Circuit’s opinion suggests that, with regard to the Enabling Act, the court was relatively indifferent to the hospital’s location within the state, as long as funds derived from public land grants were used for a miners’ hospital.

Various Attorney General opinions address the constitutionality of moving a constitutionally-confirmed state institution from its constitutionally-specified location. Attorney General Opinion No. 5628 (1953) addressed whether the penitentiary (a state institution, like the miners’ hospital, confirmed by Article XIV, Section 1) could be moved out of Santa Fe County. The opinion

¹ By statute, the legislature has determined that “[e]xcept for financial transactions, the use of the name northern New Mexico college is hereby permitted in lieu of northern New Mexico state school, for common convenience.” NMSA 1978, § 21-4-2 (2005).

concluded that the state constitution did not prevent the penitentiary from being moved out of Santa Fe County, stating that "[t]he language 'The Penitentiary at Santa Fe' is merely descriptive and not mandatory in our opinion[.]" Id.

A subsequent Attorney General opinion determined that the Carrie Tingley hospital could be moved from Truth or Consequences without a constitutional amendment, despite being listed in Article XIV, Section 1 as "the Carrie Tingley crippled children's hospital at Truth or Consequences." N.M. Att'y Gen. Op. No. 80-16 (Apr. 30, 1980). Similar to the 1953 opinion, the later opinion determined that "[t]he purpose of Section 1 [of Article XIV] is to identify land grant beneficiaries, not to permanently fix their locations." Id. (emphasis in original). Consequently, according to the opinion:

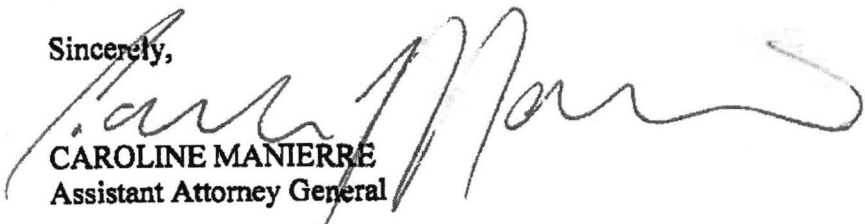
If Carrie Tingley should move to another location, but, nevertheless, remain as essentially the institution defined in Section 1, it would retain its entitlement to the funds...the reference to the location of the various institutions named in Section 1 was meant to identify the institutions, not to locate them. Funds derived from lands granted under the Enabling Act go to institutions because of the purposes they serve, not because of the places where they are located.

Id. (emphasis in original). See also Att'y Gen. Advisory Letter to Representative García, New Mexico House of Representatives, and Senator Harden, New Mexico State Senate, from Assistant Attorney General Stephen A. Vigil (Jan. 26, 2012) (stating that "the references to locations for the state institutions listed in Article XIV, Section 1 are merely descriptive" and do not prevent a state institution from moving to a different location).

We believe that the reasoning employed in the aforementioned opinions applies equally to NNMC. The term "at El Rito" is a description and does not require that NNMC remain solely at the El Rito campus. We conclude that the New Mexico Constitution does not prohibit NNMC from moving the majority of its coursework to the Española campus so long as NNMC continues to exist as a state educational institution defined in Article XII, Section 11 and trust lands granted under the Enabling Act are used for the benefit of NNMC.

If we may be of further assistance, please let us know. Your request to us was for a formal Attorney General's Opinion on the matters discussed above. Such an opinion would be a public document available to the general public. Although we are providing you our legal advice in the form of a letter instead of an Attorney General's Opinion, we believe this letter is also a public document, not subject to the attorney-client privilege. Therefore, we may provide copies of this letter to the public.

Sincerely,



CAROLINE MANIERRE
Assistant Attorney General

Hamish Thomson

From: Amanda Herrera
Sent: Friday, August 12, 2016 12:23 PM
To: chayo@nnmc.edu
Cc: damian.martinez@nnmc.edu; kevin.powers@nnmc.edu;
melinda_s_deherrera@nnmc.edu; domingo_sanchez@nnmc.edu; audrey@JAGnm.com;
Kevin Sourisseau
Subject: Northern New Mexico College
Attachments: Northern NM College.pdf

Good afternoon Mrs. Garica:

Please see attached correspondence from the Office of the State Auditor. Thank you, have a great day.

*Amanda E. Herrera
Office Administrator/Receptionist
Office of the State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, New Mexico 87507
Phone: (505) 476-3800
Fax: (505) 827-3512 / reports@osa.state.nm.us
www.osanm.org / 1-866-OSA-FRAUD*



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Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

August 12, 2016

Rosario "Chayo" Garcia, Board President
Northern New Mexico College
921 North Paseo de Oñate
Española, New Mexico 87532

Re: Northern New Mexico College

Dear Board President Garcia:

The Office of the State Auditor (Office) thanks you for meeting with us and appreciates your openness to proactively work on issues we discussed related to governance, personnel, procurement and capital management at Northern New Mexico College (NNMC).

The Office recognizes the attention of the Board to its recruitment of a new President which creates an opportunity for NNMC to assess its mission and direction. The Office has written to the Governor, enclosed, requesting she appoint a fifth Regent as is her statutory responsibility.

This constitutional college, and the educational opportunities it provides, is a vital mainstay of the local community. However, the Office is aware that the decline in student enrolment, increase in tuition, executive staff turnover and whistleblower complaints are indicative of governance issues which may extend to fraud, waste and abuse. The ratio of Instructional Support costs to Instructional costs nearly doubled from 36% in 2011 to 71% at the end of fiscal year 2015. Also, the Higher Education Department (HED) Capital Projects Audit Report dated October 1, 2015 identifies specific issues requiring attention.

The Office is aware that each of the following areas may require attention:

- The underlying causes of executive staff turnover, including a) compliance with the intent of Section 10-16A NMSA 1978 "Financial Disclosures" and b) the Agency's settled¹ and ongoing lawsuits² for which may indicate instances of fraud, waste and abuse as reflected in any insurance payouts and premium increases.

¹ See D-117-CV-201400278 re: Angelo Jacques. The Agency's attorney Basham and Basham may have been paid in FY 2016 for representing a senior college employee in case D-117-CV-201500158 against Mr. Jacques in what is allegedly an abusive or wasteful private lawsuit regarding a personal matter.

² See the Memorandum of Opinion 2016-NMCA-036 dated December 16, 2015 in ongoing cases D-117-CV-201400038 brought by the Northern New Mexico Federation of Educational Employees.

- The procedures and practices for hiring (Policy 3.26), terminations (Policy 3.19) and other personnel actions need to be consistent with the Staff Handbook such that whistleblower complaints are understood as opportunities to address issues before they become intractable or personalized as disrespect. A specific concern, which we have not assessed, is that executive management attempted to intimidate staff into falsifying enrolment numbers.
- The Office was informed by the Interim President / Chief Financial Officer and Finance Director / Controller that they share responsibility for personnel and procurement matters suggesting an elevated risk that management may override internal controls.

The Higher Education Department released the "Capital Project Audit" dated October 1, 2015 and, while many of the specific observations predate the current fiscal year, there are several systemic issues which may require attention including the procedures for transferring or disposing of assets to ensure compliance with the Audit Rule.

Please consider, in anticipation of an incoming President: 1) an examination of policies and procedures in regards to governance, a code of conduct, personnel and procurement; and 2) a follow up on the Higher Education Department audit as it relates to conflicts of interest; and 3) how the principles identified in the U.S. Government Accountability Office Green Book³ might strengthen the components of internal control.

We bring this matter to your attention in order for you to consider the adequacy of your internal control which is a process used by management to help an entity achieve its objectives. Internal control helps an entity run its operations efficiently and effectively, report reliable information about its operations and comply with applicable laws and regulations.

It is the responsibility of management to design, implement, maintain and monitor appropriate internal controls and to promptly take corrective action when deficiencies are identified. Two important components of internal controls are the control environment and risk assessment, which set the tone of the organization, reflect the management's operating style and provide a basis for appropriate risk responses.

The Office of the State Auditor has not reviewed, assessed or otherwise evaluated these allegations or your internal controls as they currently exist. This letter is intended solely to remind management of its responsibilities as they pertain to governance, personnel, procurement and capital management processes in an effort to proactively address shortcomings, should any exist.

³ The Green Book "Standards for Internal Control in the Federal Government," issued in September 2014 adapts the principles identified in the Committee of Sponsoring Organizations of the Treadway Commission "Internal Control – Integrated Framework" issued in 2013 for a government environment. The Green Book appears appropriate for adoption by state, local and quasi-governmental entities. The Audit Rule, supplemented by the Green Book, provides useful definitions related to fraud, waste and abuse.

We trust this communication will help NNMC resolve several long standing issues. If you have additional information, or have any questions, please do not hesitate to contact Kevin Sourisseau, CPA directly at 505-476-3820 or at Kevin.Sourisseau@osa.state.nm.us or Hamish Thomson, CPA/CFF, CFE at 505-476-3818 or Hamish.Thomson@osa.state.nm.us.

Respectfully,

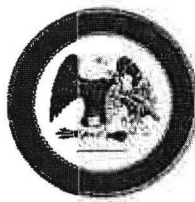


Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

cc: Board of Regents
Interim President Domingo Sanchez III
Independent Public Accountant, Audrey Jaramillo, CPA (without enclosures)

Enclosed: Office letter dated August 11, 2016 to the Governor
Office letter dated August 12, 2016 to the State Historian, Rick Hendricks
Office letter dated August 12, 2016 to the State Parks Director, Christy Tafoya

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

August 11, 2016

The Honorable Susana Martinez
Office of the Governor
490 Old Santa Fe Trail, Room 400
Santa Fe, New Mexico 87501

Re: Northern New Mexico College

Dear Governor Martinez:

The Office of the State Auditor (Office) is aware that the Northern New Mexico College (NNMC) Board of Regents does not have a full complement of Regents at a time when they are addressing declining enrolment and executive turnover in the aftermath of changes at the El Rito Campus.

Article 12, Section 13 of the New Mexico State Constitution requires that NNMC shall be governed by a Board of Regents consisting of five members. Currently, the NNMC Board of Regents has four filled positions. Furthermore, the term of at least one Regent expires later this year. Filling these positions, with the senate's advice and consent, will ensure that the Board of Regents is fully staffed to govern effectively after the incoming President takes office in October.

The purpose of this letter is to ensure that the governance needs of NNMC are met by your office by promptly nominating and appointing, with Senate consent, a fifth Regent with relevant knowledge and experience preferably including the ability to examine potential educational uses of the El Rito Campus.

If you have any questions regarding this matter please do not hesitate to contact our Office at 505-476-3800.

Respectfully,

A handwritten signature in cursive script that reads "Timothy M. Keller". The signature is written in dark ink and is followed by a horizontal line.

Timothy M. Keller
State Auditor

Hamish Thomson

From: Amanda Herrera
Sent: Friday, August 12, 2016 12:16 PM
To: rickbailey13@gmail.com
Cc: Kevin Sourisseau
Subject: Northern New Mexico College
Attachments: Northern New Mexico College.pdf

Good afternoon Mr. Bailey:

Please see attached correspondence from the Office of the State Auditor. Thank you, have a great day.

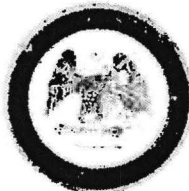
*Amanda E. Herrera
Office Administrator/Receptionist
Office of the State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, New Mexico 87507
Phone: (505) 476-3800
Fax: (505) 827-3512 / reports@osa.state.nm.us
www.osanm.org / 1-866-OSA-FRAUD*



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Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

Via U.S. Post and Email: rickbailey13@gmail.com

August 12, 2016

Richard J. Bailey, Jr., Ph.D.
23970 Gale Rd
Pueblo, CO 81006

Re: Northern New Mexico College

Dear Dr. Bailey:

The Office of the State Auditor (Office) congratulates you on your appointment as President of the Northern New Mexico College (NNMC) and appreciates your early commitment to NNMC.

The Office has received multiple concerns over several years related to NNMC. This information has been routed to the OSA Special Investigations Division (SID) for review. Pursuant to the Audit Act (NMSA 1978, Sections 12-6-1 through 12-6-14) and the Audit Rule (2.2.2.15 NMAC) the State Auditor may conduct fact-finding procedures and evaluate the issues raised in regard to potential fraud, waste and abuse.

Many of the issues raised relate to personnel management. As a result the Office draws your attention to the opportunities associated with professionalizing this function such that personnel actions are, in fact and perception, based upon merit.

On behalf of State Auditor Keller, thank you for reviewing the matter. If you have additional information, or have any questions regarding this matter, please do not hesitate to contact me directly at 505-476-3820 or Kevin.Sourisseau@state.nm.us or Hamish Thomson at 505-476-3818 or Hamish.Thomson@state.nm.us.

Respectfully,

A handwritten signature in black ink, appearing to read "Sanjay Bhakta".

Sanjay Bhakta, CPA, CGFM, CGMA, CFE
Deputy State Auditor

Enclosed: Letter from the Office, dated August 12, 2016, to the NNMC Board of Regents

Hamish Thomson

From: Amanda Herrera
Sent: Friday, August 12, 2016 12:12 PM
To: rick.hendricks@state.nm.us
Cc: Kevin Sourisseau
Subject: Northern New Mexico College
Attachments: Northern New Mexico College.pdf

Good afternoon Mr. Hendricks,

Please see attached correspondence from the Office of the State Auditor. Thank you, have a great day.

*Amanda E. Herrera
Office Administrator/Receptionist
Office of the State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, New Mexico 87507
Phone: (505) 476-3800
Fax: (505) 827-3512 / reports@osa.state.nm.us
www.osanm.org / 1-866-OSA-FRAUD*



Helping Government Work Better

Man is still the most extraordinary computer of all. John F. Kennedy

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

August 10, 2016

Rick Hendricks, Ph.D., State Historian
Office of the State Historian
State Records Center & Archives
1205 Camino Carlos Rey
Santa Fe, New Mexico 87507

Re: Northern New Mexico College

Dear Dr. Hendricks:

The Office of the State Auditor (OSA) received concerns regarding the closure of the El Rito campus of Northern New Mexico College (NNMC). This information was routed to the OSA Special Investigations Division (SID) for review.

Pursuant to the Audit Act (NMSA 1978, Sections 12-6-1 through 12-6-14) and the Audit Rule (2.2.2.15 NMAC) the State Auditor may conduct fact-finding procedures and evaluate the issues raised in regard to a potential waste¹ of resources.

The OSA was informed that NNMC is not properly maintaining the historic educational facilities in El Rito in consultation with your office. We have not evaluated the allegations and are forwarding this matter to you solely for the purpose of bringing this matter to your attention.

On behalf of State Auditor Keller, thank you for reviewing the matter. If you have additional information, or have any questions regarding this matter, please do not hesitate to contact me directly at 505-476-3820 or Kevin.Sourisseau@state.nm.us or Hamish Thomson at 505-476-3818 or Hamish.Thomson@state.nm.us.

Respectfully,

A handwritten signature in black ink, appearing to read "Kevin Sourisseau", with a long horizontal flourish extending to the right.

Kevin Sourisseau, CPA
Deputy State Auditor

¹ The U.S. Government Accountability Office Green Book "Standards for Internal Control in the Federal Government," issued in September 2014 adapts the principles identified in the Committee of Sponsoring Organizations of the Treadway Commission "Internal Control – Integrated Framework" issued in 2013 for a government environment. The Green Book appears appropriate for adoption by state, local and quasi-governmental entities and defines in section 8.03 defines waste as "the act of using or expending resources carelessly, extravagantly, or to no purpose."

Hamish Thomson

From: Amanda Herrera
Sent: Friday, August 12, 2016 12:09 PM
To: christy.tafoya@state.nm.us
Cc: Kevin Sourisseau
Subject: Northern New Mexico College - El Rito Campus
Attachments: Northern NM College-El Rito.pdf

Good afternoon Mrs. Christy:

Please see attached correspondence from the office of the State Auditor. Thank you, have a great day.

*Amanda E. Herrera
Office Administrator/Receptionist
Office of the State Auditor
2540 Camino Edward Ortiz, Suite A
Santa Fe, New Mexico 87507
Phone: (505) 476-3800
Fax: (505) 827-3512 / reports@osa.state.nm.us
www.osanm.org / 1-866-OSA-FRAUD*



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Man is still the most extraordinary computer of all. John F. Kennedy

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

August 12, 2016

Christy Tafoya, Division Director
New Mexico State Parks
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Northern New Mexico College – El Rito Campus

Dear Ms. Tafoya:

The Office of the State Auditor (OSA) received concerns regarding the El Rito campus of Northern New Mexico College (NNMC). This information was routed to the OSA Special Investigations Division (SID) for review.

Pursuant to the Audit Act (NMSA 1978, Sections 12-6-1 through 12-6-14) and the Audit Rule (2.2.2.15 NMAC) the State Auditor may conduct fact-finding procedures and evaluate the issues raised in regard to a potential waste¹ of resources.

The OSA was informed that the NNMC had built fencing around Chacon Park in El Rito without appropriate consideration for the historic nature of the Park and without proper consultation with your Division. We have not evaluated the allegations and are forwarding this matter to your Office solely for the purpose of bringing this matter to your attention.

On behalf of State Auditor Keller, thank you for reviewing the matter. If you have additional information, or have any questions regarding this matter, please do not hesitate to contact me directly at 505-476-3820 or Kevin.Sourisseau@state.nm.us or Hamish Thomson at 505-476-3818 or at Hamish.Thomson@osa.state.nm.us.

Respectfully,

A handwritten signature in black ink, appearing to read 'Kevin Sourisseau', with a long horizontal stroke extending to the right.

Kevin Sourisseau
Special Investigations Director

¹ The U.S. Government Accountability Office Green Book "Standards for Internal Control in the Federal Government," issued in September 2014 adapts the principles identified in the Committee of Sponsoring Organizations of the Treadway Commission "Internal Control – Integrated Framework" issued in 2013 for a government environment. The Green Book appears appropriate for adoption by state, local and quasi-governmental entities and defines in section 8.03 defines waste as "the act of using or expending resources carelessly, extravagantly, or to no purpose."

Hamish Thomson

From: Jake Arnold <JakeArnold@windstream.net>
Sent: Wednesday, March 9, 2016 8:57 AM
To: Hamish Thomson
Subject: NNMC Foundation/Ricky Serna/Liddie Martinez/

FYI in re: recent OSA NNMC audit.

From <http://www.nnmcstudygroup.org/>

Liddie Martinez is Ricky's aunt (his late mother's sister). She was the person who authorized the Foundation money to be "loaned" to NNMC to cover basic operating expenses--this was covered in the Rio Grande Sun last summer. This is also mentioned in an earlier blog post: <http://www.nnmcstudygroup.org/blog/crunching-the-numbers-on-president-barcelos-leadership>

"Indeed, under the leadership of Barcelo, NNMC Administrators have initiated a practice of "borrowing" hundreds of thousands of dollars from the Northern Foundation to cover basic operating expenses.^[vi] Although the Northern Foundation is a 501c3 non-profit corporation, whose mission is to raise funds to support student scholarships, NNMC has dipped into the Northern Foundation to cover its institutional expenses.^[vii] In July 2014, NNMC even "forgot" to repay the Northern Foundation \$125,000 until the issue was under investigation by reporter Ralph Chapoco of *The Rio Grande Sun*. The relatively lenient terms of the loan—no interest charged on the principal, no collateral assigned to the loan to ensure repayment, and no late fees for failure to repay on time—may have been gained through VP of Advancement Ricky Serna's relationship to the Northern Foundation's Treasurer, Liddie Martinez. She is Serna's aunt. In addition, NNMC President Barcelo is a voting member of the Northern Foundation. The issue of loans from the Foundation to the college was further compounded by the sudden and unexplained resignation of Gabrielle Amster, the Director of the Northern Foundation, in July 2014.^[viii]"

Email forward from Carmen in the institutional Advancement Office (starts at bottom):

Date: Fri, 25 Apr 2014 20:57:30 -0600
Subject: Fwd: NNMC Foundation Scholarship Evaluation Rating and Ranking Process
From: carmanmelendrez@gmail.com
To: grsena@live.com

Wow! Could things be any crazier?

----- Forwarded message -----

From: **Janice** <janice_ulibbarri@hotmail.com>
Date: Fri, Apr 25, 2014 at 4:10 PM
Subject: Re: NNMC Foundation Scholarship Evaluation Rating and Ranking Process
To: Nanette De La Torre <ndelatorre@nnmc.edu>, Connie Manzanares <conniem@nnmc.edu>, "Christine A. Dammen" <cdammen@nnmc.edu>, David Lindblom <dlindblom@nnmc.edu>, Carman Melendrez <carmanmelendrez@nnmc.edu>, "Roybal, Daniel, TRD" <Daniel.roybal@state.nm.us>, "Pana, Paula" <pjpana@vnbnm.com>, rdlt2005@yahoo.com, Stephanie J Montoya <stephanie.montoya@nnmc.edu>, Eugene Beaulah <besand@valornet.com>, Theresa Lopez <talopez@nnmc.edu>, jeremy.stephens@santaclaran.com, "Lynnette A. Cruz" <lacruz@nnmc.edu>, Elmer Torres <elmeranddeborah@gmail.com>, Jacob Pacheco <jpacheco@nnmc.edu>, indoscuba@windstream.net, Patricia Trujillo <patriciatrujillo@nnmc.edu>, "Gutierrez, Paula P" <Paula.Gutierrez@santaclaran.com>, bettsagg@yahoo.com
Cc: Gabrielle Amster <gabrielle.amster@nnmc.edu>

Nannette,

For a year and a half now, Ricky has replaced me, his wife, with his pregnant girlfriend from work, Monique Romero. Since she is fulfilling my role in his life, perhaps she would like to take my place evaluating scholarships as well.

Please direct any questions or concerns to Ricky. I'm sure he will have something to say to cover up his actions.

Nanette De La Torre <ndelatorre@nnmc.edu> wrote:

>Good Afternoon,

>

>Hope everyone is doing well and ready for the weekend!

>

>Just wanted to touch base with you all for the upcoming Scholarship

>Evaluation Rating and Ranking process meeting that will be held on

>Saturday, April 26th.

>Below are a few more details.

>

>*Place:* NNMC Joseph Montoya Building AD 101/102 (there will be greeters

>and/or signs in front of the Book Store)

>*Time:* 8:00 am - 1:00 pm

>

>The morning will go as planned:

>

> - Introductions

> - Break into teams

> - Get everyone set up and logged into a laptop or tablet (that will be provided)

> - go over the scholarship rating sheet & process

>

>

>Breakfast snacks and lunch will be provided.

>

>If you have any questions prior to the meeting, please do not hesitate to contact me.

>

>Thank you all for your continued support!

>

>--

>*Nanette De La Torre*

>

>*Assistant to VP for Institutional Advancement*

>*Northern New Mexico College *

>*921 Paseo de Oñate*

>*Espanola, NM 87532*
>*(505) 747-2257 phone*
>*(505) 747-5004 fax*
>*ndelatorre@nnmc.edu <ndelatorre@nnmc.edu>*

>
>This e-mail transmission, including any attachments, is intended only for the named recipient(s) and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you have received this transmission in error, or are not the named recipient(s), please notify NNMC immediately by return e-mail and permanently delete this transmission, including any attachments.

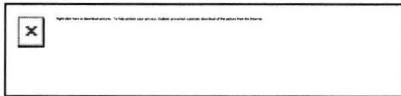
--
Carman Melendrez, Ph.D.

Grant Writer

Northern New Mexico College

(505) 747-5495

--



Annette M. Rodriguez
Doctoral Candidate
Department of American Civilization
Brown University
Providence RI 02912

New Mexico Courts

Case Lookup

[Exit](#)

Name Search

Case Number Search

DWI Search

Case Detail

Janice M Ulibarri v. RICKY SERNA

CASE DETAIL			
CASE NUMBER	CURRENT JUDGE	FILING DATE	COURT
D-101-DM-201400295	Wilson, Matthew Justin	04/30/2014	SANTA FE DISTRICT

PARTIES TO THIS CASE			
PARTY TYPE	PARTY DESCRIPTION	PARTY #	PARTY NAME
IV	Intervenor	1	STATE OF NEW MEXICO (CSED)(HSD)
		ATTORNEY: DAUGHTON DIANE	
PT	Petitioner	1	ULIBARRI JANICE M
RS	Respondent	1	SERNA RICKY

HEARINGS FOR THIS CASE					
HEARING DATE	HEARING TIME	HEARING TYPE	HEARING JUDGE	COURT	COURT ROOM
01/22/2016	2:45 PM	MOTION HEARING	Wilson, Matthew Justin	SANTA FE DISTRICT COURT	

CIVIL COMPLAINT DETAIL				
COMPLAINT DATE	COMPLAINT SEQ #	COMPLAINT DESCRIPTION	DISPOSITION	DISPOSITION DATE
01/28/2016	1	CLS: JUDGMENT/ DISPOSITION	Decision Mixed	12/28/2016
COA SEQUENCE #	COA DESCRIPTION			
1	Other			
PARTY NAME		PARTY TYPE		PARTY #

COMPLAINT DATE	COMPLAINT SEQ #	COMPLAINT DESCRIPTION	DISPOSITION	DISPOSITION DATE
04/30/2014	1	CLS: JUDGMENT/ DISPOSITION	Decree/Judgment Entered	07/16/2014
COA DESCRIPTION				

COA SEQUENCE #		
1	Divorce with Custody	
PARTY NAME	PARTY TYPE	PARTY #
SERNA RICKY	RS	1
ULIBARRI JANICE M	PT	1

REGISTER OF ACTIONS ACTIVITY					
EVENT DATE	EVENT DESCRIPTION	EVENT RESULT	PARTY TYPE	PARTY #	AMOUNT
06/29/2017	ORD: STIPULATED				
	Stipulated Judgment and Order Establishing Child Support Arrears and Payment Towards Arrears				
03/17/2017	ORD: STIPULATED				
	Stipulated Order on Modification of Child Support Child Support Arrears and Reimbursement of Medical Insurance Expense				
02/06/2017	NTC: OF HEARING				
	Notice of Hearing February 21, 2017 at 9:30 am				
12/28/2016	CLS: FINAL DECREE/ORDER/JUDGMENT				
	Custody Plan				
12/01/2016	NTC: OF HEARING				
	Notice of FCS Mediation 12-28-16 @ 10:15 am GL				
11/21/2016	ORD: ORDER GRANTING				
	Order Granting Motion to Reschedule FCS Appointment				
11/09/2016	NTC: OF HEARING				
	Notice of FCS Mediation appt. 11-22-16 @ 10:15 am EP				
11/01/2016	ORD: ORDER				
	Minute Order for Family Court Services Referral				
10/28/2016	REQUEST FOR HEARING/ SETTING		RS	1	
	Request for Hearing to Change Conditions of Visitation XC: Judge Wilson				
10/28/2016	MTN: MOTION		RS	1	
	Motion for Referral to Mediation (Child Custody, Timesharing, or Visitation) XC: Judge Wilson				
10/24/2016	REQUEST FOR HEARING/ SETTING				
	Presentment of Stipulated Order from September 20, 2016 Hearing				
06/09/2016	ORD: STIPULATED				
	Stipulated Order on Temporary Reduction of Ongoing Child Support				
03/01/2016	CERTIFICATE/ PROOF OF MAILING		PT	1	
	Mailing address				

02/25/2016	ORD: ORDER				
	Order to Produce Discovery for Child Support Hearing				
02/25/2016	NTC: OF HEARING				
	Notice of Hearing May 31, 2016 at 10:30 a.m.				
02/15/2016	ORD: ORDER				
	Minute Order to Hearing Officer				
02/11/2016	REQUEST FOR HEARING/ SETTING	RS	1		
	Modification to Child Support				
02/11/2016	MTN: MOTION	RS	1		
	Motion to Modify Temporary Order				
02/03/2016	ORD: TO INTERVENE				
	ORDER PERMITTING INTERVENTION				
01/28/2016	RPN: Motion to Intervene	IV	1		
01/25/2016	CLS: ORDER, APPLICATION, PETITION OR MOTION GRANTED				
	Order Enforcing Marital Settlement Agreement				
12/14/2015	NTC: OF HEARING				
	parties to appear on January 22, 2016 at 2:45 p.m.				
12/02/2015	REQUEST FOR HEARING/ SETTING	PT	1		
	Insurance Coverage for Child Cassandra Serna and Petitioner ex wife Janice Ulibarri				
12/02/2015	RPN: MOTION/ PETITION TO REOPEN	PT	1		
	Motion for/to Continued Insurance Coverage & Spousal Support (Until June 2016)				
07/17/2014	AFFIDAVIT				
	affidavit of non appearance, mediation was scheduled for jul11, 2014				
07/16/2014	CLS: FINAL DECREE/ORDER/JUDGMENT				
	Final Decree Of Dissolution Of Marriage				
07/16/2014	Custody Plan				
07/11/2014	SETTLEMENT AGREEMENT				
	Marital Settlement Agreement				
07/02/2014	ORD: VACATING HEARING				
06/30/2014	NTC: OF MEDIATION				
	Notice of FCS - Mediation July 11, 2014 at 1:15pm				
06/17/2014	CERTIFICATE				
	CERTIFICATE OF COMPLETION RE: RICKY SERNA				
06/17/2014	CERTIFICATE				
	CERTIFICATE OF COMPLETION RE: JANICE ULIBARRI SERNA				

05/30/2014	RESPONSE		RS	1	
05/08/2014	SUMMONS RETURN		RS	1	
	Respondent served May 1, 2014				
04/30/2014	MISCELLANEOUS ENTRY				
	Interpreter Not Needed				
04/30/2014	ORD: TEMPORARY DOMESTIC ORDER		RS	1	
04/30/2014	SCHEDULING ORDER				
	Information Session on June 5, 2014				
04/30/2014	NTC: OF HEARING				
	for Interim Order Dividing Income and Expenses and Order for Production ; June 26, 2014 @ 8:30 AM				
04/30/2014	SUMMONS ISSUED		PT	1	
04/30/2014	OPN: PETITION				
	for Dissolution of Marriage (with Children)				

JUDGE ASSIGNMENT HISTORY			
ASSIGNMENT DATE	JUDGE NAME	SEQUENCE #	ASSIGNMENT EVENT DESCRIPTION
04/30/2014	Wilson, Matthew Justin	1	INITIAL ASSIGNMENT

[Return](#)

[Print](#)

Sociedad Venceslao Jaramillo

Post Office Box 1, El Rito NM 87530

October 18, 2015

Hon. Tim Keller
State Auditor
State of New Mexico
2540 Camino Edward Ortiz, Suite A
Santa Fe NM 87507-1508

RECEIVED
NOV 25 2015
STATE AUDITOR
Hand Delivered
HST

Dear Auditor Keller:

The enclosed "white paper" developed by our civic organization should be self-explanatory. We are also sending a copy of this document with attachments to Attorney General Hector Balderas and to several members of the New Mexico Legislature.

As you will see at the close of many of the "item" synopses, we are seeking not only investigations on the part of your office and parallel efforts on the part of the attorney general, but also opinions from the attorney general in several instances. We understand that for the attorney general to issues opinions, the protocol may require a legislator to tender such requests to him.

In separate letters from our members to the legislators, we are soliciting those officials to tender those requests for opinions to the attorney general on behalf of their constituents and/or individuals with whom they have a had working relationship regarding the affairs of state government, i.e. members of our organization. In the instance of the investigations we hope that you and the attorney general might initiate, we understand both of your offices could proceed on your own.

Best regards,

SOCIEDAD VENCESLAO JARAMILLO



Donald Martinez Sr., Chair



Juan Garcia, Vice Chair

Additional member-signatories of this letter include the individuals whose names appear on the following page.

Henry Ochoa

Pete Archuleta

Andy Lopez

Bobby Archuleta

Steve Archuleta

Annette Rodriguez

Bruce Smith

Felipe Martinez

John Ussery

Jake Arnold

Jack Edwards

Tim Crone

Sociedad Venceslao Jaramillo

Post Office Box 1, El Rito NM 87530

Northern New Mexico College
A State Educational Institution in Crisis

RECEIVED
NOV 25 2015
STATE AUDITOR
Hand Delivered
HHS

Preface

This "white paper" is the work product of the *Sociedad Venceslao Jaramillo* (Venceslao Jaramillo Society), a group of concerned citizens living in El Rito and other communities of Northern New Mexico. These citizens believe an emergency exists regarding the management and operations of Northern New Mexico College (Northern New Mexico State School).

These concerns involve not only the college's operations in El Rito (the seat of the school as stated in the state constitution), but also the overall operations of the school including those at the Española campus of the institution where the executive offices are situated.

The society is dedicated to preserving and honoring Jaramillo's vision of the institution, originally named the Spanish American Normal School, at the turn of the Twentieth Century, as well as the mission of the school through its evolution into a technical-vocational school and community college in the post-World War II era.

Jaramillo was an illustrious citizen of El Rito and elected official in the territorial and early statehood periods who had extensive land and other holdings across the state's traditional "Hispanic Cradle."

Jaramillo was a close associate of territorial governors Bradford Prince as well as U.S. Senator Bronson Cutting, whose political and financial support of the school was critical to its survival after Jaramillo's untimely death at a young age, prior to which he had gained national prominence as a progressive Hispano statesman and educational benefactor.

Jaramillo was the joint donor of the land for the school's "home" campus in El Rito and served on the school's original board of regents. Jaramillo's widow, Cleofas, was New Mexico's "leading lady" of Hispanic letters and culture through her death in 1954.

The society membership produced this "white paper" and the attachments with the assistance of Flores, Arnold & Fiori, a research and consulting firm based in Rio Arriba County.

This firm is also the society's communications agent and anyone wishing to learn more about the society's positions or obtain additional details regarding the issues addressed herein may contact the society via e-mail in care of FloresArnoldFiori@windstream.net, via telephone at (575) 581-9520, or via the postal address on the letterhead above. The society's officers and other members are readily available for productive and frank discussions with elected officials and/or those officials' staff members.

General Statement

Based on our research and analysis of numerous documents and other public-record data/news media accounts, recent developments involving Northern New Mexico College (NNMC) and the school's Board of Regents are ripe for scrutiny, and we call for formal investigations on the part of the New Mexico Attorney General and the New Mexico State Auditor.

We seek the assistance of state legislators in this regard and suggest that investigations by committees, permanent staff of the Legislature may also well be in order.

We also refer these officials to the attached exhibits, the referenced public record case files in several matters currently in litigation in state district court and the online content of the Northern New Mexico College Study Group (www.northernnewmexicocollegestudygroup.com)

State senators and members of the House of Representatives could appropriately request that Attorney General Hector Balderas open investigations into several NNMC developments that may constitute violations of state statutes and/or request the attorney general to render formal opinions in regard to these same or related developments.

Individual society members are in the process of sending letters to a number of legislators, requesting them to seek formal opinions from the attorney general regarding interpretation of constitutional and statutory provisions pertinent to NNMC and the interests of the people of New Mexico.

Additionally, the society as a group directly calls upon the attorney general to open investigations into possible violations of the law involving the management, operations and finances of NNMC.

Some of these issues (as identified below) prompting our call for investigations by the attorney general are equally ripe for concurrent investigation by State Auditor Tim Keller and we call upon him to initiate such proceedings as well.

While the Board of Regents (BOR) of NNMC is an independent governing body (for instance: the removal of a regent, once appointed by the governor and confirmed by the Senate—other than by death or resignation—may only occur pursuant to a petition granted by the state supreme court, which has sole jurisdiction in this regard), the governor and her appointed officials exercise considerable oversight of NNMC via the Higher Education Department.

Legislators have a direct interest in the affairs of NNMC as legislative appropriations are a major source of funding for the school and the school is subject to numerous state statutes adopted by the Legislature, including specific directives regarding its missions and responsibilities.

NNMC Issues of Major Concern

Item 1. Several inter-related questions regarding the legal site of the school, the legal name(s)—constitutional and “common convenience”— of the school, and residency requirements for members of the BOR according to the state constitution and statutory provisions as indicated below. (See attachments pertinent to the various sub-questions)

1-A--Is El Rito the legal seat of the college?

1-B--Does the cessation of NNMC instructional programs at El Rito violate any constitutional or statutory mandates?

1-C--Is operation of the campus in El Rito as a “conference center” (non-instructional programs conducted by non-NNMC entities or instructional programs conducted by other educational institutions that do not qualify for any course-credit accumulated by students enrolled at NNMC) consistent with the state constitutional and statutory controlling operations of NNMC?

1-D--Does the BOR have the legal power/authority to “change” the name of the school as stated in the constitution and statutes?

1-E--Does the circa 1903 deed of gift (or other conveyance) of approximately 20 acres of land in El Rito, donated to the Territory of New Mexico by Venceslao Jaramillo and George Sargent for purposes of establishing a territorial school for wayward boys (reform school), subsequently never used for that purpose but instead utilized for the establishment of the Spanish American Normal School via passage of a territorial statute, require that the land (and any improvements) revert to the donors (their estates/heirs) in the event that land is no longer used by the State of New Mexico for educational purposes?

1-F--Does the NNMC BOR have the unilateral authority/power to sell or otherwise dispose of the school's real property assets situated in El Rito without legislative approval and/or passage of a constitutional amendment by the voters? *including water rights*

1-G--Could the Northern New Mexico State School (statutory “common convenience name” of NNMC) be dissolved with all of its programs and assets transferred to the management and control of one or more of the other “constitutional” state educational institutions (such as NMHU, NMSU or UNM) via legislative action or would such action require--in the alternative--passage of a constitutional amendment?

1-H--Could such action, as outlined above, legally occur via resolution or other proceedings on the part of the respective BORs of NNMC and one of the other institutions mentioned above?

We seek guidance of these interrelated issues/questions by the attorney general (via AG opinions requested by legislators).

Item 2. Several interrelated questions regarding the expenditure of NNMC funds and other actions related to the NNMC BOR's unilateral "name change.

2-A--Did any misuse of NNMC funds occur pursuant to the putative usurpation of constitutional prerogatives (approval of a constitutional amendment by the voters) and/or legislative authority on the part of the BOR via its purported change of the school's name and subsequent use of such funds in advertising/promulgating this purported name-change to the public and various public and private entities?

2-B--We believe a violation of the state Open Meetings Act by the NNMC BOR on 4/23/15 may have occurred by virtue of the discussion of the NNMC "name-change matter" in closed (executive session). The statute does not provide an exclusions to the open-meetings mandate for the discussion of such a matter.

After coming out of executive session at that meeting, the BOR took action on the abortive name-change by having BOR president Chayo Garcia read a statement effectively rescinding the BOR's prior name-change resolution. The reading of the statement composed during the executive session occurred pursuant to the agenda item for action on matters discussed during the executive session.

(See attachments.)

We seek resolution of these interrelated issues by both the attorney general (investigations and opinions as requested by legislators) and the state auditor (investigations).

We request vigorous enforcement of the Open Meetings statute by the attorney general in this regard.

Item 3. Is NNMC in violation of several state statutes regarding the scope of instruction and the directed missions of NNMC, according to the statutes, by the elimination of the vast majority of vocational and technical instruction programs formerly offered at the campus in El Rito and the campus in Española and thereby failing to serve the educational needs of students in the Northern New Mexico region?

(See attachments.)

We seek resolution of this issue by the attorney general (opinion as requested by legislators).

Item 4. Has any criminal conduct or tort violation occurred on the part of NNMC administrators as alleged in four pending state district court whistleblower lawsuits and one settled federal lawsuit?

Those civil actions are:

D-117-CV-201400218 (James Biggs v. NNMC)

D-117-CV-201400278 (Angelo Jacques v. NNMC)

D-117-CV-201500094 (Patricia Perea v. NNMC)

D-117-CV-201500169 (Melissa Velasquez v. NNMC)

1:13-cv-00193-RB-KK (Nancy O'Rourke v. NNMC)

The four state District Court cases are whistleblower actions under New Mexico law.

The nearly simultaneous filing of four different whistleblower tort actions naming one small college as the defendant and referencing the same high-ranking college administrators at that college is indeed extraordinary.

(Please note that numerous former employees of this small college have successfully pursued relief for abuses of their rights, similar to those alleged in the above-reference whistleblower tort actions, via administrative complaints filed with the EEOC and Human Rights Commission. Documentation of these complaints/proceedings are to be found in NNMC files.)

In addition, cases brought against NNMC, on behalf of former employees (involving alleged violation of their rights by their labor unions), are also pending.

While the matters of tort liability and violation of the whistleblower statute would be settled by the conclusion of those state cases, the allegations by the respective plaintiffs are remarkably similar in that all of the plaintiffs in those cases allege specific misuse of public funds (including grants to the school by federal agencies) by NNMC officials and several of the allegations suggest the theft of college property.

Other allegations suggest attempts by college officials to engage in or solicit others to engage in violations of the law.

We seek action by both the attorney general (investigations, civil and criminal) and the state auditor (investigations) into the financial transgressions alleged by these plaintiffs as well as suggestions of criminal activity as indicated in the complaints in the whistleblower cases as well as an assessment of any transgressions of the law by NNMC officials that a review of the documentation in the other cases/complaints by the OAG and OSA may reveal.

Item 5. Has any criminal conduct occurred [extortion–30-16-9 (C) (D) NMSA 1978] by one or more members of the BOR in regard to the attempted/forced resignation of former BOR member Donald Martinez Jr. and has any other possible violation of the law occurred in regard to constitutional mandate regarding jurisdiction for removal of any BOR member.

(See attachments.)

We seek action (criminal investigation and an opinion as requested by legislators) by the attorney general.

Item 6. Has misuse of substantial public funds (possibly exceeding \$1,500,000) and/or execution of illegal contracts/procedures in the matter of the failed “dormitory project” promoted by the NNMC administration and BOR 2008-2014 occurred? Details and other documentary evidence related to this matter are memorialized/contained in NNMC files as well as in the case files in two state district court lawsuits--one settled and one pending:

D-117-CV-200800427 (Institutional Project Management v. NNMC)

D-117-CV-201500041 (NNMC v. Monument, LLC; counter petition by defendant Monument)

(In addition, see attachments with related data, see item below.)

Item 7. Has any unethical conduct/illegal activity occurred regarding the role of BOR Regent Kevin Powers, formerly director of RBC Capital Markets (financial advisors/bond underwriters) in the failed “dormitory project” pertinent to the role of RBCCM (see Institutional Project Management case referenced above) and the RBC Capital Markets/Monument LLC relationship?

Former RBCCM colleagues of Powers were active representatives of NNMC and its BOR before state agencies in the quest for action by those entities in support of the project. Additionally, Powers was employed as a House Ways and Means Committee majority staff member during the 2015 session of the Legislature while serving as a BOR member.

(See attachments, see item above.)

We seek resolution of these interrelated issues referenced in items 6 & 7 above by both the attorney general (investigations and opinions as requested by legislators) and the state auditor (investigations).

Item 8. Has the college violated agreements between it and state/federal agencies regarding the funding of recreational facilities at the campus of NNMC in El Rito—specifically the Matias L. Chacon Recreational Park and the nearby softball field (now closed)?

(See attachment.)

We seek resolution of these matters by both the attorney general (investigations and opinions as requested by legislators) and the state auditor (investigations).

Item 9. Would the use of public funds by NNMC to pay for legal representation of NNMC Vice President Ricky Serna in a civil matter (petition of a restraining order/alleged altercation at a restaurant) now pending in state district court, violate provisions of statutes law regarding misuse of public funds or the “anti-donation” clause of the state constitution?

The law firm representing the plaintiff (Ricky Serna) in this matter is representing NNMC in two of the whistleblower lawsuits mentioned above and is also representing NNMC in its lawsuit against Monument, LLC (counter-claim filed by the defendant), mentioned above. Ricky Serna is mentioned repeatedly in the filings of the whistleblower cases and would be a key witness (at trial or via deposition) in the Monument, LLC dispute.

The restraining case at issue (ultimately dismissed by District Judge Jennifer Attrep) is:

D-117-CV-201500158 (Ricky A. Serna v. Angelo D. Jacques)

An Espanola Police Department report, among the several attachments, may shed additional light in this matter although this police report is not included in the case record; it was not submitted to the court in conjunction with the various filings in this case by either counsel for the plaintiff or the defendant, but had the judge not dismissed the complaint the case counsel for the defendant would likely have introduced it as evidence.

(See attachments.)

We seek resolution of this matter by both the attorney general (investigation and opinion as requested by legislators) and the state auditor (investigation).

Item 10.

Are NNMC or any of its officers exposed to serious liability—civil/financial and/or criminal regarding civil rights violations on the part of the college, specifically the college's suppression of First Amendment Rights held by the Northern New Mexico College Study Group, which operates an online news website (the college being the sole focus of coverage).

Acting on behalf of the college, a college vice president effected the takedown of the Study Group's website by falsely claiming that the Study Group had violated non-existent copyrights purportedly owned by the college.

The Study Group was ultimately able to have its website restored intact, but only after the site was dark for over a month due to the college's complaint and only after the Study Group invested considerable time and effort in preparing a legal analysis refuting the college's spurious complaint.

We seek resolution of this matter by both the attorney general (investigation and opinion as requested by legislators) and the state auditor (investigation).

Item 11.

Have NNMC personnel engaged in any violations of the law—civil and/or criminal—regarding the “whistleblowing” notifications to state officials on the part of former college bookstore manager Jerome Williams who uncovered an incident of surreptitious entry into the bookstore by senior college officials (when the store was closed) and who left that college-operate business with merchandise in hand?

A video of this incident and additional information provided by Mr. Williams, we believe, may already be in the hands of officials at the state Higher Education department, the Office of the Governor, the Office of the Lt. Governor and the Office of the State Auditor.

Certain college officials subsequently obtained the forced resignation of Mr. Williams in retaliation for his whistleblowing and then smeared him with a report filed with a law enforcement agency claiming Mr. Williams had stolen a college computer. However, the police report indicates that the college declined to seek prosecution after initially seeking police involvement.

Developments in this matter are continuing.

(Please see attachments, including a research report by Flores, Arnold & Fiori and an Española Police Department report.)

We seek resolution of this matter by both the attorney general (investigation and opinion as requested by legislators) and the state auditor (investigation).

Summation

The matters related above are merely some of the many issues of concern shared by friends, former and current faculty/staff and other community observer of the continuing turmoil at Northern New Mexico College.

The Sociedad Venceslao Jaramillo membership and associates are prepared to provide additional detailed/documentary information in this regard. Please contact Jake Arnold at Flores, Arnold & Fiori if such information is of interest.

We also suggest that interested parties also visit the website of the Northern New Mexico College Study Group. A few of the attachments to this "white paper" originate from postings at that website.

www.NNMCStudyGroup.com

Ethics and Compliance Hotline**General Information**

Caller Name: Declined	Client Name: State of New Mexico	Report #: 122114973
Type: Not Specified	Location #: 006	Priority: 2
	DBA: HIGHER EDUCATION	Trans #: 2
	Address:	Rpt Date: 09/16/2015
	City,State,Zip: NM	Time: 02:33PM
	Country:	Origin: Phone Call
	Phone:	

Summary Information

WHO:	Caller, name declined, reported DOMINGO SANCHEZ.
WHAT:	Fraud
WHEN:	ONGOING SINCE 2013, EXACT DATE UNKNOWN
WHERE:	AT THIS LOCATION

Incident Description**9/30/2015 12:17:26 PM - Caller Call Back**

Caller was read company response and had additional issues.

The caller would like to add that there was a video taken of the Chief Financial Officer, Domingo SANCHEZ, removing items from the store after hours. There was a complete inventory done and these things were missing and never reported so the book store Manager, Jerome WILLIAMS, took it as theft. WILLIAMS reported this to the Head of Security, name UNKNOWN, and WILLIAMS was asked to destroy the video by title unknown, name UNKNOWN, but he did not. WILLIAMS reported this to the Higher Education Board and an Attorney is now requesting the video for other cases regarding SANCHEZ. The caller also found out that there have been previous incidents reported in regards to SANCHEZ from (2012/2013).

9/21/2015 6:17:00 PM - Client Call Back

Thank you for contacting the New Mexico Office of the State Auditor (OSA) Fraud Hotline. The OSA Special Investigations Division (SID) has received your information and may conduct fact finding procedures pursuant to the Audit Act and the Audit Rule regarding allegations of fraud, waste and abuse.

The audit reports for fiscal years 2014 and earlier are available on our website at osanm.org. These reports contain multiple findings some of which contain findings relevant to issues brought to our attention..

If you have additional information or questions for the OSA SID please use the Hotline or contact the OSA at 505-476-3800 with the case number assigned to this issue.

Please check back for updates and/or additional requests for information.

9/16/2015 2:33:00 PM - Original Call

Caller, DECLINED, reported that since 2013, exact date unknown, he/she reported the illegal use of grant refunds, and he/she was retaliated against for this.

The caller said that he/she said that funds that he/she had in an account for a program that he/she was over disappeared. Many Employees, names DECLINED, found out many things that the Chief Financial Officer, Domingo SANCHEZ, had done and those employees were fired.

The State Auditor, name UNKNOWN, has been notified many times, and the caller would like to know if there is a current investigation going on about these issues.

How does the caller know about the incident?: Witnessed

What documentation is available?: None

Fraud:

[HOME](#) [SEARCH](#) [LOG OUT](#) [CONTACT US](#)

GUADALUPE JARAMILLO

CallBack Information

Counts: Caller: Client: Total: 0

Action	Date	Category	Comments	Entered By
	10/28/2015 10:03:00 AM	Client	The OSA is conducting initial fact finding related to this issue. Please provide additional information related to the video of Chief Financial Officer, Domingo Sanchez, i.e. date, time, missing items, etc. if it is in your possession. Please provide additional information related to the attorney that is requesting the video if it is in your possession. You may upload documents or other attachments via the Hotline, and they will be immediately delivered to the investigator assigned to this case.	GUADALUPE JARAMILLO
	9/30/2015 12:17:00 PM	Caller	Caller was read company response and had additional issues. The caller would like to add that there was a video taken of the Chief Financial Officer, Domingo SANCHEZ, removing items from the store after hours. There was a complete inventory done and these things were missing and never reported so the book store Manager, Jerome WILLIAMS, took it as theft. WILLIAMS reported this to the Head of Security, name UNKNOWN, and WILLIAMS was asked to destroy the video by title unknown, name UNKNOWN, but he did not. WILLIAMS reported this to the Higher Education Board and an Attorney is now requesting the video for other cases regarding SANCHEZ. The caller also found out that there have been previous incidents reported in regards to SANCHEZ from (2012/2013).	MONIQUE THURMAN
	9/21/2015 6:16:00 PM	Client	Thank you for contacting the New Mexico Office of the State Auditor (OSA) Fraud Hotline. The OSA Special Investigations Division (SID) has received your information and may conduct fact finding procedures pursuant to the Audit Act and the Audit Rule regarding allegations of fraud, waste and abuse. The audit reports for fiscal years 2014 and earlier are available on our website at osanm.org. These reports contain multiple findings some of which contain findings relevant to issues brought to our attention.. If you have additional information or questions for the OSA SID please use the Hotline or contact the OSA at 505-476-3800 with the case number assigned to this issue. Please check back for updates and/or additional requests for information.	HAMISH THOMSON

What is the Organization or Agency name you're reporting about? NORTHERN NEW MEXICO COLLEGE

What is the Organization Type? Higher Education

Do you know whether an internal audit or investigation of the issue has been done or is scheduled to be done by the organization? UNKNOWN

If an audit/investigation is involved, when and who is involved? (Name of organization unit or person) UNKNOWN

Do you know whether there has been any altering or destruction of evidence or intimidation of witnesses? YES

If so, please describe what occurred, including the name(s) of those involved. DOMINGO SANCHEZ

Do you know whether law enforcement (police) has been notified or whether a prosecuting authority such as the local District Attorney or the State Attorney General has been notified? NO

If so, what is the Prosecuting Authority Organization/Contact Name?

If so, what is the Law Enforcement Organization/Contact Name?

Do you know whether the Independent Public Accountant (CPA firm) for the organization has been made aware of this incident? NO

If so, what is the IPA Organization/Contact Name?

What would you estimate the total potential dollar cost or loss may be due to this incident? \$350,000

Do you know if management is aware of the concern(s) you're reporting? NO

If so, please provide name(s)/title(s) of manager(s) and a description of management-involvement to date.

Does this incident involve Federal Stimulus funds otherwise known as American Recovery and Reinvestment Act (AARA) of 2009? UNKNOWN

Involved Parties

Reported Individuals:

Name: DOMINGO SANCHEZ

Title: CHIEF FINANCIAL OFFICER

Management Notified: NO

Involved/Aware Parties : YES

Name: NAME DECLINED

Title: STATE AUDITOR

Role: Other

Name: NAMES DECLINED

Title: EMPLOYEES

Role: Alleged Victim

Supplemental Information

How does the caller know about hotline: Poster

Interviewer Observations:

Client Instructions

The caller has been instructed to call back on 9/30/2015. Please take some time to review the report and submit any additional questions you may have for the caller by 9/29/2015. If you are a licensed user of the ReportLine system, please log in (<https://www.netclaim.net>) and submit your question. If you are not a licensed user of the ReportLine system, please document your question in an email and send it to: NetworkCallbacks@tnwinc.com.

Conditions:

The information contained in this report was provided by a third party source. The Network, Inc. does not verify the accuracy or the completeness of the information contained in this report, and therefore, cannot guarantee its accuracy or completeness.

If you have questions, concerns or updates such as escalation and/or dissemination instructions relative to our service or this incident report please contact us at "clientcommunication@tnwinc.com."